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Chair

Ms. Marlene Catterall

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• (0905)

[English]

The Chair (Ms. Marlene Catterall (Ottawa West—Nepean, Lib.)): I call to order of this meeting of the Standing Committee on Canadian Heritage. We're continuing our study of feature film in Canada.

I am asked to give you the regrets of Sam Bulte, who has to be in Ottawa for a meeting she is chairing this morning; and of Mario Silva, who is speaking at a meeting in New York and hopes to join us later.

Welcome to our witnesses. I see the other parties are well represented here, so I hope you'll have lots of good discussion this morning. Thank you very much, and I leave the floor to you.

An hon. member: [*Inaudible*].

The Chair: Just think of all the time you get to ask questions, guys.

Mr. Brian Topp (Co-Chair, FilmOntario): It's a new look for Parliament, compared to what we saw the last time we saw a committee.

Anyway, thank you for having us in this morning. I must begin by thanking you and the heritage committee very much for taking an interest in this topic, Madam Catterall. It's very reassuring that the heritage committee places a priority on this topic. Of course, we know some of the members well in the industry. Sam Bulte is a long-time friend of the industry and has done many good deeds for us. Madam Oda, of course, we have met before in the industry. Charlie Angus is a well-known performer. But we are grateful to all of you for taking an interest in the topic.

My name is Brian Topp. I am co-chair of FilmOntario, a consortium representing Ontario's film and television industry. Our membership includes all of our industry's unions, guilds, and producers, and over 45 companies supplying our industry, including post-production, equipment, studios, banks, and legal and many other services. We work very closely with the Ontario Producers Panel, which is next up on your witness list. We're very pleased to be here.

I'm here with my colleague Sarah Ker-Hornell, who is managing director of FilmOntario. We thought we would take a few minutes to give you a report on how the industry has been faring in this province in current conditions, and to make a few recommendations that we hope might be relevant to your report.

Madam Chair, the film and television industry in Ontario comes in two flavours. It comes in domestic and export, and they are very different businesses. Domestic production in Ontario grew very slowly during the 1990s, peaking at about \$491 million in 1999, according to the Ontario Media Development Corporation. The story since then, I am sorry to tell you, has been one of stagnation and decline, from being a \$468-million business in 2000 and \$420-million business in 2001, to \$410 million in 2002, \$504 million in 2003—which was a blip, unfortunately—and \$448 million in 2004.

On the foreign service side, what Ontario witnessed is a period of extraordinary rocketing growth, followed again unfortunately by a period of stagnation and decline. Ten years ago foreign production was a \$157-million business. In five short years, service production then tripled. It overtook domestic production as the leading segment of our industry. It peaked in 2002 at \$574 million, and then steeply declined in 2003, dropping to \$369 million. In 2004 there was a slight recovery to \$486 million, still well short of the peak.

On the numbers, Canadian domestic production in Ontario is about television. Last year Canadian feature films, the specific issue that we're talking to you about—accounted for only \$40 million in domestic production. That's less than 10% of the total in Ontario for domestic production. On the other hand, foreign service production for the moment is about feature films. Last year, feature films accounted for more than three-quarters of total foreign service work.

What caused production in Ontario to skyrocket in the 1990s? Foreign service work clearly led to growth, and that growth was driven by a very happy coincidence of favourable tax rules and a highly competitive Canadian dollar. The tax shelter regime was extremely popular with foreign service producers. When it was removed, the tax credit regime that replaced it anticipated a Canadian dollar in the low seventies, but the Canadian dollar dropped to 63¢. The combination of our incentives, the low dollar, and generally lower costs here could save a Los Angeles-based producer up to 47% of their budget. That drew a lot of service work to Toronto.

What did this do to domestic production? The increase in service work expanded the industry's services and the breadth of talent available in every category. Domestic producers were able to access production services, crew, and talent at discounted rates, since the infrastructure was being supported and expanded by foreign-service work. Domestic English production continued to be centred in Ontario and was enjoying reasonably strong and slow growth.

Sadly, the recent story in Ontario's film and television industry has been one of stagnation and decline, as I said, based on the numbers. We think a lot of factors came together to work against us. When you bluntly look at the facts, there were some location issues centred here in the Greater Toronto Area.

We didn't—and we still don't—have a world-class purpose-build studio, and that is a huge industry for the Ontario film and television industry, especially the feature film industry.

The newly amalgamated City of Toronto decentralized its film permit process, meaning that productions needed and still need to bargain with a large number of city officials, and that's a complicated business. That's in stark contrast to a lot of our competition. For example, the City of New York has a purpose-build office attached to the mayor's office, and you can get at it by going to www.nylovesfilm.com. With one-stop shopping for all this stuff, it's a lot easier to work with.

● (0910)

Informal costs and charges have been on the rise, and some stakeholders and neighbourhoods come to look on film productions as a source of income.

There were some province-wide issues. Critically, the former government in Ontario decided to stand pat while numerous other jurisdictions moved to beat us at our game. Quebec and B.C. matched our tax incentives, and they built better studio infrastructure with significant public support. Smaller provinces like Manitoba and Nova Scotia then moved to try to switch both domestic and foreign production out of Ontario, with incentives double and, in some measures, triple ours. We think we allowed ourselves to be overtaken in terms of the quality and aggressiveness of our province's marketing as well.

There were some national issues that affected the industry in Ontario. The federal government set out to redistribute Canadian domestic production from Ontario to British Columbia and other provinces by implementing regional bonus policies within the Canadian Television Fund that explicitly discriminated against Toronto. Try doing that in the auto industry.

The federal government also decided to allow its broadcast regulator to be captured by the industry that it's in place to regulate. The results were catastrophic. The 1999 CRTC television policy has led to a collapse of serious drama production in Ontario and across Canada. This policy also eroded the key access point for the public to view feature films.

There were a few international issues that eroded the strength of our infrastructure. Australia, New Zealand, South Africa, Eastern Europe, and countless U.S. states decided to get into our game. The dollar rose to 84¢, increasing our prices by 25% in an ever more competitive global market.

Then SARS came along, which I think we can all say was unhelpful. I am sure you encountered this in your ridings and in your businesses there.

All this added up to the perfect storm that many of us were talking about last summer and fall. It caused an erosion of our entire industry infrastructure in which domestic producers can't survive.

There is nothing we can do about some of these challenges, but some we can address, and we have come together to take it on.

On the city issues, very slowly, a studio project is grinding along on the waterfront in Toronto. Anything any of you could do to encourage the various agencies, the three levels of government, and all the players involved to help make that happen in a timely and transparent manner would be most welcome.

Very slowly, the City of Toronto is coming to grips with the structural issues that it inherited through amalgamation. The Toronto Film Board was launched to attack all the roadblocks to the success of film production in Toronto by passing changes in city council, redeploying marketing funds for the industry, and lobbying the province and the federal government for a positive climate. Finally, very slowly, we're getting a dialogue going with city councillors, local business associations, and other players about the fact that location charges and surcharges chase away business.

On provincial issues, the Government of Ontario increased domestic incentives by 50% and foreign service incentives by 60% last December. It was an excellent, desperately needed, and extremely well-received measure. This step went some distance towards levelling the playing field between Ontario and other Canadian provinces on domestic production. As a result, producers based in Ontario seem to be staying home instead of making 51% equity deals with other provinces in an effort to keep production rolling. This step also went some distance to countering the rise of the Canadian dollar.

So far, the results seem to be slightly more encouraging in terms of production levels in Ontario. Back in that very slow department, we've made some progress addressing marketing issues. Our industry association, Film Ontario, is co-financing with the government and sales office in the United States. But a great deal more needs to be done.

We'd like to think that members of Parliament elected to represent Ontario and all MPs in the House of Commons take an interest in film and television production in this province and might support some steps to promote its renewal and growth.

My colleague, Sarah Ker-Hornell, is going to put a few ideas to you.

• (0915)

Ms. Sarah Ker-Hornell (Managing Director, FilmOntario): Thank you very much.

Here are a few ideas the committee might like to consider if you study how the federal government can promote domestic feature film productions.

First, we suggest you consider recommending that the federal government increase its domestic tax incentive to 30%, matching the new Ontario rate. Incentives don't impose application costs. They are predictable and thus bankable, and there is a record of stable funding for them. They are, at worst, revenue neutral. In Ontario they are revenue positive.

The increases in provincial incentives have injected some significant additional funding into the industry. If the federal government follows suit, it would help domestic producers with what may be their biggest problem—undercapitalization. Tax credits aren't the whole story on how government can partner with the Canadian film and television industry, but they certainly are a good place to start.

Second, we urge you to recommend that the federal government not discriminate against the city of Toronto in designing incentives and supports for film and television. We don't have a problem with provincial governments working to promote specific production centres, but we don't think it is fair ball for the national government to single out one community—Toronto—to be disadvantaged vis-à-vis other production centres in English-speaking Canada. Until last year, there was an explicit Toronto disincentive built into the Canadian Television Fund. There is now more subtle disincentive implied in the broadcaster envelopes within the CTF. We suggest there be none.

Third, we suggest the committee send a strong signal about the 1999 CRTC television policy. I know your focus is on domestic film production. A strong television sector is a prerequisite for a strong domestic film sector in Canada. Television is where most Canadians currently see Canadian film. Television is where bankable stars come from. The federal government's 1999 television policy needs to be reversed directly by the CRTC or through the powers of government order.

Fourth, we want to add our voice to the chorus calling for increased choice and stability for the financing of film and television. There are a few things to consider here.

One, film production doesn't follow a 12-month cycle tuned to the government's financial year, and film production is highly averse to uncertainty, given the key role bank financing plays in completing finance packages. We urge this committee to implement long-term, stable, streamlined funding commitments to film and television, the various funds such as CTF and Telefilm, and to the CBC and NFB,

which would invest more seriously in development and marketing of domestic product. We believe this will pay off in a stronger domestic film sector.

Two, the industry, as stated recently by Wayne Clarkson and his team at Telefilm, agrees that the current grind in Telefilm, a reduction of the base upon which the tax credit percentage can be based, is an impediment to production. It essentially reduces the impact of each Telefilm dollar of investment equity in a project. We encourage this committee to have this grind removed.

Three, we wish to echo the Honourable Doug Frith of the Canadian Motion Picture Distribution Association when he raised the issue of time value of money. The time it takes for a tax credit to turn around is, on average, 18 months. That means 18 months of finance fees on the tax credit until it arrives, which leaves less money available for the film. This means that the critical upfront investments into script development are curtailed. As many folks have indicated already, good scripts are a critical piece of any film's chance for success. The time value of money is therefore critically important from both a financial standpoint and a creative success standpoint. We encourage this committee to shorten the time value of money on tax credits.

Four, we also ask for your consideration on a renewed, tightened tax shelter financing vehicle. Limit the middleman's financial benefit, yet create an avenue for desperately needed private investment into Canadian feature film development and production. With a new expanded pool of capital available through these means, much-needed development and marketing, including the impactful film trailer exposure, will now be possible, vastly increasing the ability of Canadian feature film to find and keep new audiences in Canada and around the world.

We commend the committee for its interest in these issues, and we're looking forward to your questions and ultimately to your report. Thank you.

• (0920)

The Chair: Thank you very much.

Mr. Schellenberger, are you starting the questioning this morning?

Mr. Gary Schellenberger (Perth—Wellington, CPC): Right, thank you.

Thanks for the presentation this morning. As I said to you earlier, I'm on a bit of a learning curve here, but there seems to be a pattern coming up. I must say thank you for the recommendations. We all know there are problems, but when we hear recommendations, we can work from those things.

One thing you say here is “we urge you to recommend that the federal government not discriminate against the city of Toronto in designing incentives and supports for film and television.” How do they do that now?

Mr. Brian Topp: Thank you for that question. The Canadian Television Fund is a really important tool in promoting television production, and because of the link between television and film, it's an important tool in making domestic production happen where most people see it.

Canadian Television Fund used to have a regional bonus built into it in that—and the bottom line, which I'm sure you know well, Ms. Oda—it paid producers to not shoot in Toronto. It's as simple as that.

So it singled out Montreal in francophone production and Toronto in English production, and basically said if you don't produce in those two towns you'll get more money from the CTF—just as simple and in your face as that. At a time when the bulk of production may have been centred in Toronto, maybe that made sense. But in this industry, which you are visiting across the country and which you know has been widely dispersed across the country, it was simply a mechanism for transferring production from the city of Toronto to Vancouver. There was a sense of noblesse oblige about it in the nineties when the industry was rocketing out, and people were basically not worrying about it, but in the last five years of increasingly scary times, that kind of disincentive, which is a clear signal from the government to investors and creators of infrastructure to go somewhere else, it is increasingly intolerable.

So the industry has been increasingly vocal in saying to the federal government that it is entirely appropriate now to have a level playing field. There was a partial response to this from the CTF board last year. They said, okay, we hear you; explicitly paying producers to not produce in Toronto maybe doesn't make any sense. It's not fulfilling a public policy goal anymore, so we are going to take that out, and instead we are going to build some rules into the broadcaster envelopes to pay broadcasters to not produce in Toronto. The mechanism is more subtle and harder to tease out of the guidelines on the webpage, but it's potentially more dangerous because it is incenting the underlying buyers to produce shows outside of Toronto.

So I guess our basic point is that the federal government has not got it in its head that it would be a good public policy goal to take the third shift at the Oakville Ford plant and move it to the beautiful and wonderful town of Moose Jaw in Saskatchewan, which I am a big fan of. That's not a public policy goal. And I don't think it makes any more sense for the federal government to decide there are too many people working in film and television in Toronto and we want to take their jobs and sprinkle them around the rest of the country. That is legitimate. It's fair ball for provincial governments to seek to do but, we argue, not something for the feds to do.

● (0925)

Mr. Gary Schellenberger: I think that policy should be made—we hear it, whether it be in agriculture or any other industry—a level playing field. We keep hearing “level playing field”, and I don't think too many of us really realize what a level playing field is, and that is free enterprise. The old adage that united we stand, divided we fall—the more you divide and try to disperse some of those moneys.... You

should let the industry decide where the best place to produce film is, whether it be Toronto or Montreal or Vancouver. You keep your expertise together rather than spread out.

So I thank you for that answer. It has enlightened me.

You also said that some of the permit fees, and the problems people have to go through to maybe produce a film or to do a film in Toronto versus New York, are totally different. Again, I think, here we are; it's not a level playing field.

So the problem isn't necessarily federal at all. It can be municipal and provincial also. I know on tax credits and some of those things there has been some improvement, some different things there. How would the federal government change the rules a little wee bit to help Toronto in making it easier to get a permit?

Mr. Brian Topp: Well, I don't think the federal government has a role in speaking to that issue other than that all levels of government are talking about smart regulations, and this is basically what it's about, right? Permit fees make perfect sense in the film and television industry. They are about seeking the community's permission to disrupt their lives and go shoot in their neighbourhood.

But when you have a decentralized approach such as the GTA does, you are setting up a production to have to negotiate sometimes with dozens of park managers and neighbourhood folks and so forth, each of whom has leverage in the conversation.

Mr. Gary Schellenberger: So the ideal is one centralized way.

Mr. Brian Topp: Look at what the competition is doing. Other communities are doing very smart things to make this work, both to achieve the public policy goal of the permitting regime and to make it frictionless for film production. These days, for some forms of production, people will travel from one place to another to save \$50,000 and just to avoid trouble and hassle.

In this wildly competitive world we're in, the City of Toronto has to address these issues, and they are stepping up to these issues. I believe you have on your witness list Sue Murdoch. She is an industry leader and a member of our board, by the way, who is co-chairing the Toronto Film Board with the mayor of Toronto, who has said he is stepping up to the plate and is going to address these issues. But as we say in our brief, it has been very slow and this industry moves very fast, so speed is an issue.

In regard to the federal government, first, do no harm. That's a good place to start. Don't send a signal to the industry that says produce anywhere but here. Second, I commend our finance recommendations to you. I think many of them speak to access to capital and ability to do production.

Mr. Gary Schellenberger: Thank you.

The Chair: Monsieur Lemay.

[Translation]

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): I would like to raise two points. I have read carefully your brief, which is very short, but which is long on substance. I have read it both in English and in French.

How could a strong television industry help the film industry in Ontario? That is my first question.

My second question is supplementary. You probably have one of the biggest film festivals in the world, the Toronto International Film Festival, which no longer has any competition, be it in Canada or in the United States. It is the equivalent of the festivals held in Cannes, Venice or Berlin.

How can such a festival adversely affect the film industry in Ontario or, to the contrary, how can it help that industry?

• (0930)

Mr. Brian Topp: Those are extremely interesting questions.

On the issue of television, Telefilm Canada, in their presentation to this committee a couple of weeks ago, said that a large part of the true market for English-Canadian films was on television. But let us speak first about our understanding of the Quebec model, which is being largely discussed in English Canada.

Our colleagues from UDA and other cultural institutions in Quebec tell us that ten years ago, the situation of television and box-office in Quebec was more or less comparable to the present situation in English Canada. At that time, American shows were flooding prime time television in Quebec, and the Quebec film industry was not necessarily quite strong. In the Quebec film and television circles, there was a consensus: Quebeckers had to take back their industry and television was a good place to start. Why? Because it is the quickest and most direct way of showing to Quebec audiences, on prime time television, works that were written, produced and directed by Quebeckers and starring Quebec performers. On this foundation that television could become, one could then build a film industry. Star performers on television shows can then become film stars. This idea of beginning with television to build our own film industry seems to be a good model, certainly a model that has been followed in other cultures.

Secondly, as you already know, especially in English Canada, television is the real market for movies. The model of Canal+ or Channel 4 in England, for example, where television was used as a first window for films, seems to be quite a good model and is worth examining. That is why we are talking about the key role of television in this industry.

On the second issue, this festival is indeed an asset for the industry in Ontario. This is the time when representatives of the industry from all over the world come to Toronto. It is an opportunity for us to

speak to all actors in this industry and to showcase each year our province as a production centre. I must say that when it is getting that big, it is very Hollywood like.

We are always seeking new ways of having our special moment in this festival and to say that it is not only global megaproductions that are worthy of interest in the festival, that local productions are worthy as well. There is no doubt that everyone agrees with you: it is a huge festival, a fantastic opportunity to give some visibility to our local industry. Each year, there are discussions about what we should do. One year, to publicize the festival, there was a caravan with a showcase on Ontario and Anglo-Canadian productions, on each film screened at this festival. We are always seeking new ways of doing things.

Mr. Marc Lemay: Don't you believe that the Toronto International Film Festival should be more spread out? Films could be screened in Hamilton, in Sudbury or elsewhere, instead of everything being centralized in Toronto. Let me tell you what worries me the most. As you know, I am from Quebec. When I arrived in Ottawa yesterday evening, when I switched on the television set in my hotel room, I found out that there was no difference between Ontario television and that of the United States. I am asking myself this question: is it not too late to do something?

Mr. Brian Topp: Was it too late in Quebec ten years ago, when Quebec programs were essentially nowhere to be seen on prime time television or even in the whole market? It is never too late. We are now going beyond the business issue and beginning to broach the issue of the power of culture. Does English Canada, just as Quebec, refuse to disappear? The answer from our industry is that we refuse to disappear. We will keep fighting until we win this battle, until we take back our television and our box-office, and until we are visible within our own culture.

• (0935)

Mr. Marc Lemay: Do not give up. Good luck.

Thank you.

[English]

The Chair: Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Well, thank you very much for your presentation. There are definitely a lot of good recommendations here.

I will say to you, as I would say to anyone who speaks before our committee, that government, I'm coming to realize, is a very ham-fisted way of developing the arts. There are some things we can do and some things we probably can't do at all. We need to really focus on what recommendations the federal government could bring forward to address these issues.

This was brought up in my colleague's last set of questions, the need to create a successful film industry in Canada. As someone put it to me the other day, how are we going to expect Canadians to go see films when they don't know who the Canadians are in the films?

You raised the issue of the star system and the fact that we don't have a feeder system any more in television. How important is it to reverse that 1999 CRTC decision?

Mr. Brian Topp: We assert—in polite language that trade associations that are large coalitions must use—that it's very important to revisit the 1999 television decision, for the reasons I was just discussing with your colleague Mr. Lemay.

You can't find Canadian domestic television in prime time in English Canada. We only need to look at French Canada to see the critical role domestic television production can play in building a film industry. There are two reasons for that.

First of all, prime time dramatic production on television is the most compelling media, as you've heard in other testimony before this committee. It's the key channel that people use to watch the most compelling media, which is film and television. They watch it at home now. It's where the key market is.

You need to take back your television and steadily build up your presence in dramatic television, which is the most compelling part of the most compelling medium. People see themselves on the screen. They hear stories written by Canadian writers, directed by Canadian directors, and starring Canadian stars. The stories are compelling. They remember them and watch them week after week. If that happens, then just cutting to the business side of it—which is what you are raising, the star system you develop there—the performers who make their careers there become increasingly bankable in your film industry. That is essentially what appears to have happened to a great extent in Quebec, and it was very successful. Because the federal government has the regulatory hammer with its Broadcasting Act, it's something you could actually do if you wanted to.

On the second piece of the puzzle, the Canal Plus, Channel 4 experiment in the nineties had its ups and downs, but it is still an interesting model. It shows that television can be a first-window market for film, period. Never mind this indirect route of gradually building your industry; television can be a great market for first-run movies.

In this world we're heading into, the box office is basically a marketing instrument and a loss leader for DVDs, pay-TV, first-run television, and stuff like that, where the real revenues are. So the federal government, as our broadcast regulator, needs to think very carefully about that when thinking about how to make the Canadian film industry happen. That's the key market.

Mr. Charlie Angus: I'd like to get a bit of clarification on two of the points about financing that I found very interesting. First I'd like you to explain what you meant by the current grind in Telefilm money. That completely slipped by me. I didn't really understand what you were getting at.

Second, if we're looking to shorten the time value of money—you say it's 18 months now on average—is it possible to do that from a federal perspective and still ensure that we have accountability and deliverables?

Ms. Sarah Ker-Hornell: I'll answer your first point first—the Telefilm question on grind. When you're applying for a tax credit and they ask how much your labour was, you need to first deduct your Telefilm component before you can show what's eligible for tax credit. That's called grind. You're grinding down what's eligible. They're not harmonized, and one becomes instead of the other. That means the Telefilm money, in truth, becomes less effective. You're

hampering the value of that federal money. So we recommend the grind be removed, and that is something I know Telefilm has also asked for.

On your second point about the time value of money, 18 months is where we are on average. In our province we've taken it from 18 months closer to one year, maintaining the same strict control, checks and balances, to make sure the money is not being handled inappropriately or contrary to the policy.

I would say there is an opportunity there for the federal government to shorten that turnaround time, which would decrease the financing fees and therefore put more money into development.

• (0940)

Mr. Charlie Angus: Okay. Thank you.

The Chair: Thank you.

Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you, Madam Chair.

Thank you to our guests this morning.

I want to get into the incentive to leave Toronto. Are you saying now that this incentive has run its course? Was the genesis of it legitimate?

Mr. Brian Topp: What I said was that there was a sense of noblesse oblige about it in the industry in Toronto at a time when we were experiencing growth. Whether it makes sense to dismantle a successful industry and spread it around is always debatable, but it becomes problematic when the apparent public policy goal, which was to subdivide the industry and spread it around, has clearly been achieved.

Mr. Scott Simms: Has it been achieved?

Mr. Brian Topp: That depends on how you want to measure it. If you look at the numbers, the British Columbia industry, for example, has gone from less than \$200 million to well over \$1 billion a year, built on service work in the last 10 years. It seems clear that the British Columbia film colony is at least as big as the Ontario one, and in some ways maybe bigger.

So to have a public policy goal of transferring production from Ontario to British Columbia makes little sense. The apparent goal, which was to reduce our growth and transfer it somewhere else, has clearly been met.

Mr. Scott Simms: Would you agree with a system that would work similar to the way we run equalization, in which qualification depends on staying below a certain level, or would you just eradicate it across the board?

Mr. Brian Topp: Let's talk about it first in principle and then as a practical matter. It's clear that film and television work in clusters, like most other industries, and you get virtuous cycles when you build up colonies. You build up a colony that has all the suppliers and the performers and the depth to be able to produce on site, as opposed to having to fly people in.

In the United States, there are two principal production centres, New York and Los Angeles, not in that order. All others are fractions of those two production centres. Canada already has three: Montreal, Toronto, and Vancouver. There're efforts under way, which one can't argue with, to build up other production centres in Halifax, Winnipeg, Regina, Saskatoon, and a number of other communities.

So Canada's seeking to do something that is unique in the world—to have a film industry that is evenly spread over 4,000 kilometres. As a practical matter, what is really happening is that production companies are harvesting tax credits by flying in pieces of production from the main production centres. Does that make any sense?

Mr. Scott Simms: No.

Mr. Brian Topp: So I argue that, in principle, we already have a lot of production centres, and it doesn't make sense to erode them on the prospect of creating more.

This point hasn't prevailed in federal policy. The federal policy has been to view the industry as if it was part of an equalization plan, as if there were a per capita entitlement across the country to film and television production. This is contrary to the cluster model, which is preservable, and which is the way industries really work. In the result, there has been a wide redistribution of the industry over the last five to 10 years. So now we have a public goal of stopping growth in Ontario and triggering it in another province. With this goal met, we have a widely dispersed industry. This mechanism, if it stays in place, will basically put us out of business.

I don't think the stay-out-of-Toronto policies are going to kill us, but they are certainly a factor. We've listed tons of factors, and this is one of the more unhelpful ones. I would argue that if there was a reasonable public policy goal it has been met, and that there's no ongoing public policy case for disincentives to produce in Toronto.

• (0945)

Mr. Scott Simms: I'm a member of Parliament from a great beneficiary of the equalization program, and I've always been one to bang my fist for regionalization. However, your comments this morning have made me pause to think. You may have some extremely valid points on that issue. So for that, congratulations.

Mr. Brian Topp: Thank you.

Mr. Scott Simms: The one-stop shop you mentioned in New York City, what is it we're doing that's so wrong about getting and enticing the big players, like New York City, to come here? I'm focusing not just on the federal side of things, but also on provinces and municipalities. What's the first step, the first thing we need to do?

Mr. Brian Topp: Are you talking about Ontario or Canada?

Mr. Scott Simms: I am talking about Canada.

Mr. Brian Topp: I think the first place to start is to say we are not actually doing that shabbily. It is not that we are doing all that poorly; it is a pretty significant industry that has seen some good

successes. But I think Toronto tells the tale that is applicable in many communities across Canada, which is that ten to fifteen years ago there were domestic industries in the industrialized world and there was a gigantic global industry centred in L.A. County. As more and more of the market was developed outside of the United States, that "global industry" started globalizing, and the first place it came was here. The first new production centre outside of the L.A.-New York axis was Toronto, and the game was the tax credit regime that was made available to global production, and then the increasingly deep production centre that got built here.

Then what happened was that everybody else looked at how that happened and all got into the game, and so in English Canada Vancouver came to the game, and then smaller provinces, and then Australia and New Zealand. Then the Soviet Union opened up these gigantic, cavernous production centres built in Eastern Europe in the seventies and eighties, which were made available to the global industry, so you have Czechoslovakia, Romania, Latvia. Now South Africa is getting into the game. You really have a truly global market.

In that environment, the simple fact that you can do a film stops being a competitive benefit. It has become commoditized, and other factors become competitive issues. One of them is, how tough is it to do business? It is only one piece of the puzzle, but we point to nylovesfilm.com as a good model that we have been hammering the City of Toronto with. What they did was set out to make it easy, as opposed to complicated, to come to do a shoot. If you come into the town when it is decentralized and you need to shoot in the subway system, a park, along the highway, in a hospital, in a school, on the lakefront, then you need separate permissions from the local officials on each one of those, and it's "let's make a deal" for each centre.

At a certain point, when that is not the case, when the budgets start to equalize given the dollars, and when that is much less true in a huge production centre only a few hours away, then this becomes a competitiveness issue that you need to address. I think, to their credit, the City of Toronto gets it; it's just that they are busy people and we are asking them to revisit their structure. Nobody should know better than federal folks how hard it is to revisit structures, right? We are asking them to think again about the model they adopted when they amalgamated the city.

• (0950)

Mr. Scott Simms: As other levels of government, are we falling behind? Is that what you are saying?

Mr. Brian Topp: I am not saying that; I am just saying that with regard to the point you raised, the lesson learned from this is that governments need to make it as easy as they can. The City of Toronto has to do that, the province has a role to play, and so do the feds.

The Chair: Thank you.

Mr. Brown.

Mr. Gord Brown (Leeds—Grenville, CPC): Thank you, Madam Chair, and thank you to our witnesses.

I am not sure how much time we have with you folks, but one thing I am interested in and have learned a little bit about is that the City of Toronto and TEDCO are working on a studio. You mentioned the potential for a major studio here in Toronto.

Can you give us a little background on that, and also how the federal government may help make it happen?

Mr. Brian Topp: Thank you for that question.

In this matter I think we are the victims of our success, in that we were the first into this game and growth path in the nineties. The growth in the film and television industry in Toronto came very quickly and facilities were improvised. The way they were improvised basically was by retrofitting warehouses all around the city. So you have warehouse-based facilities throughout the city. For example, the movie *Chicago*, which was shot in town and got a few Oscars, was shot in leaky and cold warehouses. That is just the reality of the fact there happened to be a bunch of low-cost warehouse spaces available in the nineties when the industry ramped up.

When other cities stepped up to the plate, they didn't have access to that cheap and wonderfully drug-like infrastructure, and so what they did to get into this game—I'm thinking about Vancouver, for example—was to have the provincial government put up the capital to build a huge purpose-built studio in downtown Vancouver, and then around that was built an ever larger community of purpose-built studios. The result was that, instead of being in a warehouse where there is a post every 20 feet, and where you have water and heat issues and stuff like that, you have a sound-insulated purpose-built studio. When all the budgets are equalized, that becomes a significant competitive factor.

So here we are in Toronto. We're now in the year 2005, with a commoditized industry and we don't have a large purpose-built studio. For four years, the industry has identified this as an issue that needs to get addressed.

So part of the vision of the waterfront in Toronto was, "We could build it there". On its face, it seems like a great idea, right? You've got all of this brownfield land in Toronto in your riding and others that is going to waste, and the film community is essentially there. That's where the warehouse district is. Why don't we just set aside some land and we can put up a purpose-built studio and then we can compete with the biggest facilities in the world? It sounds easy until you confront the regulatory and environmental issues of building on a brownfield site on a lakefront in Toronto, when it's the first big project down the chute in this revitalization project or program that has been going on in the city of Toronto. And who are the players? TEDCO, yes; the City of Toronto; the Government of Ontario; the federal government, and the environment department; the TTC right? There is a whole bunch of public policy.... It's just hugely complicated.

So the result is that we are now deeply into the second cycle in the city of trying to get this project going. It was a cycle where a consortium led by Pinewood Studios, which is the Ridley Scott outfit, got the initial mandate from TEDCO to go with this. Then

they foundered on some complexities of the consortium they put together, and we had to start it all over again.

You can put up a purpose-built studio in six months. It's a Wal-Mart that doesn't have posts in it, right? But in trying to cut through the governmental and regulatory issues, we are now in year six of trying to get a Wal-Mart building up.

I will spare you the dirty details of all that's involved, but at the end of the day, we just want to inject some energy, with a little undertone of despair, into the issue. At some point, the political leadership or somebody has to tell the officials, who are all stacked on each other like a layer cake and are squabbling with each other over the details of how to turn a brownfield into a studio, "Get on with the job". At the end of the day, if we don't, it's going to become an increasingly tough problem when, essentially, every other major production centre has this kind of studio space, and we don't.

● (0955)

Mr. Gord Brown: Is there anything the federal government is doing that's slowing the process down, or is it all municipal and the province?

Mr. Brian Topp: I am not a member of the consortium that is currently trying to work on it, so I can't give you a legal briefing, and many of the issues are apparently confidential, but the federal government is a partner on the lakefront with TEDCO and the port authority.

Certainly, a good first step would be for parliamentarians and the minister to tell the officials involved, "We want this to happen, and please help make it happen", as opposed to inventing reasons not to. That's a good place to start.

The Chair: I'm sorry, but with the schedule we have today, we have to move on to our next witnesses. I can just see how popular it would be for the federal government to tell the City of Toronto what it should be doing.

Voices: Oh, oh!

The Chair: Thank you very much. I invite all witnesses, if you feel there were issues that came up in the questioning that you didn't get enough opportunity to respond to, by all means to feel free to communicate with us. You may hear from our researchers as well, if there are issues they want to clarify with you. Thank you very much for helping us with our work.

Our next witness is the Producers' Roundtable of Ontario, whose witnesses, the agenda says, are to be determined. We now have a substantial list of six people.

So I invite the Producers' Roundtable of Ontario to join us at the table.

● (0957)

_____ (Pause) _____

● (1000)

The Chair: Thank you for your patience, and welcome. We appreciate your taking the time to come to help us out on this.

Please go ahead.

Ms. Jennifer Jonas (Producer, Producers' Roundtable of Ontario): Good morning. Bonjour.

The Producers' Roundtable of Ontario would like to talk to you this morning about increasing the visibility of Canadian films and Canadians' access to them.

[Translation]

We thank the standing committee for having invited us to appear today and we thank the Department of Canadian Heritage for their support to the Canadian film industry and for making an effort in order to consult members of our industry. Your efforts are necessary because it is not too late to have a beneficial impact on the English Canadian market which is having difficulties.

Who are we? PRO is a group of Ontario based feature film producers whose goal is to meet specific needs of production in this province. As you were told this morning, Ontario does not have any provincial investment program for film production or development.

Moreover, producers in English Canada have not yet reached the same level of box-office success as their colleagues from Quebec. We will come back in a moment on the challenges that we are faced with. It must be recognized that there exist an extraordinary potential in the English Canadian market where \$800 million are being spent annually, while \$138 million are being spent in Quebec.

[English]

As indigenous multicultural producers of feature film with small production companies, PRO's approximately forty Ontario-based members are not service producers but holders, initiators, and developers of copyrights, responsible for such films as *Touch of Pink*, *Twist*, *Childstar*, *Falling Angels*, and *Ginger Snaps*. We are the engine of this variety of intellectual property and formed as a body distinct from the CFTPA to concentrate on the particularities and difficulties of producing feature films in Ontario.

As you have heard, for nearly 10 years there has been nearly no provincial support for equity investment or development in this province, unlike in Quebec, for example, where \$28.5 million a year is put into the film business through SODEC, and that makes us the most disadvantaged province in the country.

Insofar as Canadian cultural context is concerned, few things reflect and reinforce a country's culture the way film and television do. Visual media convey attitudes, perspectives, and behaviours of the Canadian experience, telling stories that are unique to our country and essential to our national identity.

The English Canadian market, in common with most others around the world, is dominated by mainstream U.S. studio-originated material. That is why it is more important than ever to ensure that the film and television industry in Canada remains strong. Canadian films offer audiences a different experience of the cinema that will challenge and educate audiences of all ages and backgrounds, and not all indigenous Canadian films are aimed at the mainstream.

The Producers' Roundtable commends the performance of Telefilm Canada as the administrator of the feature film policy created in 2000. Because Ontario has no provincial investment program, an effective federal feature film policy and effective

complementary federal support mechanisms through CAVCO and other agencies are of critical importance to PRO's members and to the future of the indigenous English Canadian film industry.

We applaud the government for increasing funding for feature film and for its recognition of the need for a comprehensive script-to-screen approach. PRO meets regularly with the Toronto Telefilm office and has submitted our ideas for improvements to the current guidelines and to the policy on both an informal and a written basis.

The Producers' Roundtable believes the decision-making process is indeed best served by a selective process, as currently performed by Telefilm. We believe this selective process must be performed by subjective human beings, as decision-making requires sophisticated judgment a computer or an impartial grid system cannot supply.

We believe the performance envelope system in English Canada is fundamentally flawed and recommend its revamping. The performance system benefits too few and doesn't adequately reflect the realities of measuring the success of independent feature films.

PRO would like to see the next version of feature film policy include more recognition of the necessity of a sustainable industry. We propose the introduction of development sites for producers, accompanied perhaps by an entrepreneurship program providing English Canadian producers with seed capital based on a business plan. A strong, sustainable industry of indigenous production fosters a healthy infrastructure from which both indigenous and service production benefit.

● (1005)

Ms. Victoria Hirst (Producer, Producers' Roundtable of Ontario): The committee has read our specific recommendations in the brief, and we'd like to reiterate and expand now on some of those ideas. All of those ideas are based on this one vital challenge: given the sea of American products in the English language market, how do we increase the visibility and access to Canadians of Canadian films? Here are some of our recommendations.

To level the playing field in English-language Canada, we'd like to suggest that the heads of all the stakeholders in the English Canadian film industry—Telefilm, CAVCO, CRTC, CBC, NFB, the provincial counterparts, the EDC, the distributors and other broadcasters, and the arts councils—all be mandated, perhaps under the auspices of one of the heritage department's deputy ministers, to analyze how the potential of the English Canadian market can more effectively be realized, that is, to improve the coordination of government policies in the feature film area with the goal being to consolidate policy, improve efficiency, and place more money on the screen by saving money in administration costs. This consolidation could result in both CAVCO and the Ontario government creating a feature film bonus to their tax credits. And what about a bonus tax credit for Cancon films using both a Canadian writer and a Canadian director?

Simply put, give English Canadian production more money. Provide a larger allocation for feature films within the CTF, perhaps, once again, by reducing administration costs or by ensuring the contributions of the cablecasters stay on par with their profit margins. Further, we'd like to suggest that the CRTC require not only that pay-per-view operators pass their share of subscriber revenues with respect to the exhibition of Canadian film to the rights holders, but also that the cable and satellite companies do the same thing with their share of the subscriber revenues.

The federal government must seek ways to encourage the private sector to invest in Canadian feature films, whether by a tax-based incentive, more favourable recoupment within Telefilm policy and profit share, or other means.

In the old days, OFIP was introduced in Ontario to help sustain producers during the long process of development and financing. Now tax credits are not only required within the financing structure in Telefilm's policy, but they're also necessary to fill the financing shortfall. Additional money in the system, such as private investment and increased broadcaster participation, would enable the tax credits to be used as originally intended, to build sustainable production companies.

As an example, Canal Plus and Filmfour traditionally invest 70% to 100% of feature film production financing, whereas in Canada the average broadcaster investment is only 5% to 10%.

Banks are now making 3% to 5% of production budget. This represents around \$100 million in money that is better spent on the screen. The federal government can help by funding tax credits faster, and perhaps the EDC and other agencies could provide money more efficiently.

There is no reason why some measure of the success of our French Canadian brethren cannot be achieved in the English Canadian market. *My Big Fat Greek Wedding*, which grossed \$29 million in Canada and which has no significant American stars, could well have been a Canadian film. *Men with Brooms* and *The Fast Runner* have demonstrated that these Indie box office grosses can be achieved by English Canadian films. There is a huge Canadian marketplace full of endless possibilities, and with the proper expertise, enthusiasm, across-the-board commitment, ingenuity, and patent recognition applied, we can be successful.

Alternative means of distribution must also be explored. Why not start teaching Canadian film in schools and universities to encourage the next generation of Canadian audiences?

Success must also be measured by DVD and video sales, pay and free television, as well as through recognition at international film festivals and through foreign sales. The evaluation of our success cannot be solely defined by theatrical box office grosses.

We are in the process of responding to CAVCO's request for briefs for their proposed new guidelines. The Producers' Roundtable of Ontario would simply like to say here, don't grind equity; apply the 30% increase, and please don't ratify new guidelines prior to forming a pan-industry advisory group.

● (1010)

We have already suggested that the broadcasters be more involved in licensing Canadian films and in promoting Canadian films by showing their trailers. We do not understand why the CBC, with its nearly billion-dollar federal allocation, is not a meaningful partner in the creation of Canadian film nor why the CBC chose to feature almost exclusively American movies during its movie night in Canada.

To reiterate, the CBC must invest more upfront money in Canadian films like their colleagues at Channel 4, now Filmfour, the BBC, and Canal Plus. Why not mandate exhibitors to show at least one Canadian trailer before every feature presentation? What about Heritage sponsoring or subsidizing a screen in every Canadian town or city with a population of 300,000 or over? What about considering giving Telefilm a P and A top-up fund similar to what the British Council does for specialized British features?

We're also aware that the feature film policy specifies a five-year evaluation period. We'd like to suggest that as the previous leader left in the middle of this five-year period, and if such test period is meaningful, the clock be restarted to January of this year with the advent of Wayne Clarkson as new leader of policy.

We make great Canadian films. We want to make more of them, and we want larger audiences to see them. The feature film policy has created a new benchmark that has set the bar higher, and later in the year English Canadian audiences can look forward to seeing *It's All Gone Pete Tong*, *Cake*, and *Saint Ralph*.

PRO feels that given the sea of American product, we must all think harder about how to increase the visibility and access to Canadians of Canadian films. We believe that together we can crack the challenge facing the visibility and promotion of English Canadian films and that box office success is inevitable in English Canada.

Ms. Jennifer Jonas: Quebec has achieved great success with their market share of the \$138 million spent annually at the box office in that province. We believe that with the impressive \$800 million spent annually in the English Canadian market, there is plenty of room for growth in the market share of English Canadian film.

[Translation]

While we are waiting for this huge potential to express itself, PRO would like to raise once more the example of production in Quebec.

Apart from the involvement of SODEC to the tune of \$28.5 million, PRO notes that television licences are more numerous in Quebec and that guarantees granted by distributors are more significant. PRO recognizes as well that exhibitors and movie theatre owners in Quebec are far more enthusiastic.

We obviously accept the fact that Quebec will always be a separate market because of language, but we believe that the time has come to emulate that model from Quebec. We suggest making an assessment of factors that could be applicable to the film industry in English Canada.

[English]

We thank you for your time and attention this morning. *Merci et bonne continuation.*

The Chair: Thank you very much. We appreciate the time you've put into making that presentation, and thank you for some very concrete proposals. I'm going to continue with the rotation of questioning that we were in the middle of, and that takes us to Mr. Lemay first.

•(1015)

[Translation]

Mr. Marc Lemay: Thank you, Madam Chair.

First, thank you very much for being here. As you know, I am a representative of the Bloc Québécois in Parliament. My colleagues and myself have carefully read your brief. I took some notes and I have a few questions to ask you.

In Quebec, the problem is that we have too many film festivals. We have too many of them. In fact, we have at least one festival too many in Montreal. We will settle this issue shortly in our province.

Ms. Jennifer Jonas: You have two too many, but—

Mr. Marc Lemay: We should settle that shortly. I draw your attention on Appendix A of your brief giving a list of PRO members as well as a list of feature films that you have produced. The list is impressive and I would add that I have not seen many of them. I have seen *Ararat* and *Being Julia*. You must see my question coming; it is as obvious as the *Titanic*. Why are your films not being seen or so little, apart from the few that I have named? Perhaps there are others, they have not been seen in Quebec and I am not sure that they are being seen anywhere else in Canada.

I believe that it is urgent that there be a SODEC-like agency in Ontario, but that is another issue and you will have to make representations. I was very much interested by the Film Circuit that you have mentioned. I would like you to tell us more about it. What is this Film Circuit in the framework of the Toronto International Film Festival? Where does this lead? Could it not help you? Your films seem to be having serious distribution problems or at the very least visibility problems. These are the two questions that I have for now.

Ms. Jennifer Jonas: It seems to me that there were more than two questions.

Mr. Marc Lemay: Probably.

Ms. Jennifer Jonas: As we have said this morning, our main concern at this time is the visibility of our films. You have seen that we are producing them. We obviously believe that they are very

good and we would like Canadians to have the opportunity to see the films that we are making.

In a nutshell, the Film Circuit consist of distributing films that have been screened at Cinéfest Sudbury within a network of small Canadian communities. The aim is to present these films in communities that are smaller than large urban centres as well as in other countries in order to increase their visibility.

That is why in our brief we are proposing that the mandate of the Film Circuit be extended in order to screen Canadian films not only in small communities, but in medium size communities as well.

Mr. Marc Lemay: What is the visibility of your films during the famous Toronto International Film Festival? Do you have a platform? Is there presently a special day dedicated to Ontario films during the festival?

Ms. Jennifer Jonas: Yes. The festival includes a Canadian film component, but not specifically for Ontario films.

Mr. Marc Lemay: Yes. And—

Ms. Jennifer Jonas: But the festival could perhaps do a little more for ensuring some visibility for Canadian films, if that is what you are asking about.

•(1020)

Mr. Marc Lemay: You have no doubt about this. How could we establish some concertation? At the federal level, there is Telefilm Canada and the CRTC; I understood this reality and we will discuss this for a while. What about the federal government, the provincial government and the Toronto International Film Festival sitting down together with you in order for you all to have a discussion about what should be done?

Ms. Jennifer Jonas: There is a council on which members of all these organizations sit. Just like us, in the annual market, they are faced with a domination of American products. The festival wants to and must meet the needs of international and American films that are coming here.

Mr. Marc Lemay: I have one last question. How did you intervene? There was no hockey and the Montreal Canadians did not beat Toronto.

Ms. Jennifer Jonas: The Maple Leafs did not beat the Canadians either.

Mr. Marc Lemay: That's true, but you did not intervene. You did not say that the CBC should have broadcast—

Ms. Jennifer Jonas: We have tried, but that is the reason why we are talking about it this morning.

Mr. Marc Lemay: Did they listen?

Ms. Jennifer Jonas: No.

Mr. Marc Lemay: If I understand correctly, you have not obtained that your films be showed on the CBC. That could have been called *Saturday Night Hockey Film in Canada*.

Ms. Jennifer Jonas: No. That is what motivated one of our proposals, as you have seen earlier. We believe that the time has come for the federal government to make a determined effort to help all stakeholders to deal with the visibility problem. That is why we are proposing that Canadian Heritage pick up the slack so that these ideas can be mandated. We can do some lobbying, but I believe that this must be done, as I said, within a cooperative effort.

Mr. Marc Lemay: Thank you very much.

[*English*]

The Chair: Okay, Monsieur Lemay.

We have a reporter from the *Toronto Star*, or at least a photographer, who is interested in photographing the committee at its work. That means I would like the agreement of all the committee members—if they agree—and of our witnesses as well.

Mr. Charlie Angus: Only if I get to be asking the questions.

The Chair: I'm sorry, but Mr. Simms is next on the list.

Mr. Charlie Angus: That is such political favouritism. Look, there's only one Liberal who supports arts, in all of Canada. He's sitting alone.

The Chair: Are there any objections?

I assure you, had I known there was a photographer coming, I would have done a much better job with one of your makeup people.

There are no objections, then?

Some hon. members: No.

The Chair: Come on in. We are going to give you a couple of minutes to get your photos.

I just don't want the flow to be interrupted. It is Mr. Simms' turn next.

Mr. Scott Simms: My sincere apologies.

I want to talk about seed money, because I'm very interested in the idea of training. I'm very intrigued by the idea of training our own, within our own confines.

Is script development the key here in training? Are we falling behind when it comes to script development in this country and training our young screenwriters, authors, writers?

Ms. Jennifer Jonas: We think the feature film policy, the year 2000 version, actually addressed script development with a number of new initiatives, and because of the script-to-screen approach, and so on, there is a fulsome attention to that.

The reason we talked about seed money is that, because it's so hard to finance movies out of Ontario, certain mechanisms like OFIP that, as Victoria mentioned, used to be used to help capitalize producers during those periods of development are now required in a film's financing. So the Ontario production companies are thinly capitalized, and it's difficult for us to operate by applying perhaps as much due attention to script development and other factors as we would like.

•(1025)

Ms. Victoria Hirst: What we lack is the development mechanisms as producers to finance the development of feature film script.

There are actually a lot of training schemes around the country that deal with script development for writers. There is the SAP program within Telefilm Canada; there is the film centre; there is the National Screen Institute, and the Harold Greenberg Fund. So our feeling is that the development process—actually, the training of the development process for writers—is in the system. What is not in the system is the development moneys for producers to take ideas with writers and fully develop them.

Mr. Scott Simms: I see.

You mentioned some bonus moneys. I just caught it briefly, but what do you think we need right now for the fostering of a greater distribution of Canadian films?

I come from a very small town, and we don't get the Canadian movies. We just don't get them, because they get muscled out by all the muscle and bravado that comes out of the States. How are the steps that you're proposing here going to help in my little town of 5,000 people to foster Canadian production?

Ms. Jennifer Jonas: Well, that's why one of the ideas we've proposed is perhaps—and this is something that's been brought up many times—Canadian Heritage can subsidize or sponsor a screen per small town so that independent product is available across Canada.

Mr. Scott Simms: Yes. The only problem is that it's hard to do when there are only one or two screens, I suppose.

But it seems to me that the Canadian productions that do well in these smaller areas are through television and through the distribution of DVDs and whatnot. Are there any incentives there to provide smaller regions—even Canada's north, for that matter—with Canadian productions on DVDs, and then through the television?

Ms. Jennifer Jonas: Again, Quebec—and we talked a lot about SODEC as an example—is ahead of us here because they provide the means to purchase digital projection to very small towns and even help with the acquisition of the DVDs to put on the digital projectors, so we suggest maybe the federal government look at that too.

Mr. Scott Simms: Okay.

Are Americans getting pretty intense in the PR scheme against Canada for production up here? I saw it in the California election. Is this something that is prevalent across the industry in the United States, that they want to keep it in America?

Ms. Victoria Hirst: Yes, they've been lobbying really hard for a couple of years now.

Mr. Scott Simms: But how prevalent is it amongst all the stakeholders? Do most of the big players just ignore that sort of thing and come to Canada anyway?

Ms. Jennifer Jonas: I think there's a certain measure of hypocrisy there. I think that at a certain level some productions are staying in the United States to shoot and some are going wherever the buck goes the furthest, as usual, be it Romania, Toronto, Australia, or wherever.

Ms. Victoria Hirst: States in the U.S. are now lobbying really hard against each other, in the same way as our provinces are, to get as much work from the film industry as they can and to encourage productions to come to their states.

Mr. Scott Simms: Now, you touched on this as well. With all the trailers being shown before movies in major theatres, do you agree that this should be mandatory for Canadian films?

Ms. Jennifer Jonas: Yes.

Ms. Victoria Hirst: Yes.

Mr. Scott Simms: Would that be one or two? Is there a certain quota that would have to be filled?

Ms. Jennifer Jonas: Let's start with one. Two would be great, but one would be a good minimum.

Ms. Victoria Hirst: One would be a start, then two next year, three the year after...

Mr. Scott Simms: I think it's a fantastic idea. I think it's a small step, but big results could follow from it, so I commend you on that one.

Ms. Jennifer Jonas: As long as it's not the same one everywhere, I think.

Mr. Scott Simms: Yes. I wouldn't want *Men With Brooms* being shown in every theatre—no offence to *Men With Brooms*.

Mr. Dan Lyon (Producer, Producers' Roundtable of Ontario): Mr. Simms, it's very interesting that the exhibitors complain that they need to get people in and out of their seats faster, and that's why they can't play the Canadian trailers, but then again—

Mr. Scott Simms: Wait a minute. Hold on. What was that again? They're saying it's because they need to get them in and out faster?

Mr. Dan Lyon: Well, that's the argument you get from an exhibitor, that they only have a certain amount of time; but then again, they make audiences sit through a series of commercials for running shoes and other products.

Mr. Scott Simms: I thought half my admission price was going towards the sneak previews; at least half my time is spent on them.

This is an interesting point, and I think it's an idea I fully support, certainly.

Thank you, Madam Chair.

The Chair: Thank you.

Well, actually, Mr. Angus, it's Ms. Oda's turn.

• (1030)

Mr. Charlie Angus: I thought it was my second round here. Can I see the order?

The Chair: I will show you my script, and you can critique it.

Mr. Charlie Angus: Okay, but the witnesses aren't leaving until I speak.

The Chair: No. We will run a bit over time, but I will give Ms. Oda her five minutes, and then I will give Mr. Angus his five minutes—and I'll be very frustrated because I won't have any time for myself.

Mr. Charlie Angus: I'll speak for you, Madam Chair, very eloquently.

Ms. Bev Oda (Durham, CPC): Thank you very much, Madam Chair.

Thank you for your very thorough brief and for being here this morning. We won't have time—as you know, we're restricted in how much time we have—to get to a number of your recommendations.

I would like to spend a little time just talking about financing, because I think it's critical for this industry.

Could I have just a very short answer to this question? The trailer idea is interesting and I know it would be very helpful. Unlike broadcasting, movie theatres are not part of a regulated industry. Can you tell me if you know of a federal mechanism by which we can obligate this to be done, rather than just encouraging it? Encouraging, etc., doesn't necessarily always get results. Can you give me the direct way we can look to see how this can be done?

Mr. Dan Lyon: No. In terms of carrot-and-stick, a stick approach would have to be provincial, but a carrot approach could be federal. So you could do it as an incentive.

Ms. Bev Oda: What would the incentive be that talks to theatres that the federal government could give?

Mr. Dan Lyon: Well, of course money talks, so there's always grants and incentives.

Ms. Bev Oda: Okay. The ideas are great, but I want to now start homing in on the reality of what should be done.

Mr. Dan Lyon: Well, if I may, I'll just address one more thing. There are already some mechanisms with respect to foreign investment. At the time of any change in control, you may well have the opportunity to extract some promises from any new owner.

Ms. Bev Oda: But when I look at the theatre industry here as to, say, when and where the next imminent major takeover would be, of Cineplex or AMC, the government would have the ability—

Mr. Dan Lyon: Well, you may see it with Famous Players.

Ms. Bev Oda: That's right. Okay.

Now, the feature film tax credit bonus: you're saying there should be an additional tax credit for projects that are feature films.

Ms. Jennifer Jonas: Just a bonus; it could easily be applied on the same grid—just a 10% bonus, say.

Ms. Bev Oda: That would be in addition to those existing federal tax credits?

Ms. Victoria Hirst: Yes.

Ms. Jennifer Jonas: As well as. We're suggesting another possible bonus for Cancon films where both the director and the writer are Canadian.

Ms. Bev Oda: Thank you. That's very helpful.

Now, regarding CBC using foreign films to replace hockey, was that not driven because of the CBC's dependence on advertising money?

Ms. Victoria Hirst: Yes.

Mr. Dan Lyon: May I address that, Ms. Oda?

That's fascinating. It would be very interesting to see the ratings the CBC received for the old American movies played on Saturday night, as compared with perhaps a newer, more attractive Canadian movie that could have been played in its place.

Ms. Bev Oda: Mr. Lyon, I guess that is an interesting question. I think, having had a little bit of experience, I can understand the decision-making. Maybe I wouldn't have agreed with the decision now that I'm in a new role, but I guess the thing is if we look at CBC—and we're talking particularly about English-language television, I think it's agreed.....

If we look at CBC English-language television...and first of all, just as a correction, it's not a billion dollars that goes to English-language television; it's about \$280 million to \$300 million or so out of the billion dollars that's for English-language television.

However, I want to make the point here: is it not fair to say of CBC as an organization that if it were assured some stable, long-term funding, its dependence on commercials and therefore its decision-making would change? Would you agree with that statement?

Mr. Dan Lyon: Yes, we're certainly in favour of stable and long-term funding for the CBC. We're also in favour of their adhering to the promises they've made vis-à-vis the Canadian feature film industry, and we're certainly in favour of their becoming more meaningful partners in the creation as well as the broadcast of Canadian feature films.

•(1035)

Ms. Bev Oda: I totally agree with you. I think the thing is that the government—or the people, Canadians—can demand more of the CBC if we don't keep it in such an uncertain playing field or operational mode.

Mr. Dan Lyon: Yes. The same would go for Telefilm Canada and the other federal agencies.

Ms. Bev Oda: Exactly; that's right.

My last area of questioning concerns the suggestion of increasing private sector investment. We had a regime many years ago where that was available. There were some problems with it. Do you have some specific recommendations regarding a specific program and how to avoid the problems that were incurred prior to that?

I don't know who may be able to answer this for me. What I'd like to do—and I guess I'm putting notice out—is hear from some tax people with some specifics on furthering our study of this suggestion.

Mr. Martin Katz (Producer, Producers' Roundtable of Ontario): I might be able to speak to that briefly, because I think there was a regime. A lot of the growth we heard about earlier, in the presentation this morning, was triggered by structured financing regimes that were a policy of the federal government through the late eighties and early nineties. I think it's fair to say the growth was explosive. We had a growth in production rates across Canada of

25% to 35%, as compound annual growth rates, year on year, for almost a decade. That took our levels of production from close to \$500 million or \$600 million a year to a little over \$4 billion a year in 2002. Since the removal of the last wave of structured financing incentives, we've seen the reverse of that momentum, with almost a 25% shrinkage year after year, and it has been quite catastrophic.

I think there are two ways for private sector money to participate in the continuing growth of the Canadian film industry. One is through the Canadian Television Fund, which we have spoken about, which is supported by the cablecasters and which ought to be more seriously supported by the public, as we say.

Ms. Bev Oda: Mr. Katz, what I'm particularly interested in is the existing pool of broadcasters, broadcasting distributors, etc. It's limited. There is an unbelievable amount of money outside of the industry directly. How can we attract some of that money into the industry? It's an untapped pool for this industry. It also has to be attractive in order for an investor up on Bay Street to say they're not going to invest in a mining company, they're going to invest in the film production industry. How do we get there?

Mr. Martin Katz: Can I take your second question first?

Ms. Bev Oda: Sure.

Mr. Martin Katz: The mining example is a very good one, because right now we have a specific incentive in the Canadian tax regime, and that's flowthrough shares, which are aimed at the development of the kind of long-term revenue generation that is represented by mineral and resource development. We do not have any kind of system like a flowthrough share that could support investment in the film and television industry.

The structures of those industries are similar, in that it costs an enormous amount of money in the early years to develop that intellectual property, which then has a long-term earning capacity over time. I think it would be very helpful, in terms of generating the kind of long-term infrastructure that is essential to a healthy industry in Canada, to have a flowthrough-share-like structure in the film and television sector. That would encourage the development of that kind of intellectual property.

Ms. Bev Oda: Thank you.

The Chair: Thank you very much.

Mr. Angus—and I'm sorry, but this will be our last round of questioning.

Mr. Charlie Angus: Thank you very much. Well, as the resident socialist on the panel, I'm always—

•(1040)

Mr. Marc Lemay: Whoa, whoa, whoa!

Mr. Charlie Angus: Sorry, excuse, excuse!

I'm of course an easy mark for talk of regulations and investment and federal involvement. Coming out of Winnipeg after the Junos, we heard from the film industry there and we saw the Junos, and I have to say I'm wondering if there's a fundamental business problem with the model within the film industry in Canada.

I'd like to put it to you this way. We saw the really amazing success at the Junos of Canadian music—my background is music—and I think it would be very dangerous to suggest that Canadian music has always been successful. The industry model used to suck. When I started in music 25 years ago—sorry, off record, it sucked—it sucked for a lot of the same reasons, in that we were an independent band and the record company producer said, “We have this model; it's called Trooper. We'll put your records out like Trooper”. We said, “But we're not Trooper”. Our records would go out, and then they would come back three weeks later and the record company would say, “Well, we lost money off you guys. Thanks a lot”. That was the business model.

You see a band like Billy Talent today being a national star. It would've been an obscure band 20 years ago. The change occurred because of how the music was distributed. The artists took control of distribution—found their own niche markets. Yet, when we were in Winnipeg, we heard this woeful tale of distributors in Canada. It was a damning indictment—no market planning for production. One of their recommendations was that they need to hire people with marketing savvy.

I'm sitting here astounded thinking, what is the point of investing \$2 million in a film if there's no hype? No matter what we do around this table, if the actors aren't being hyped on the morning cooking show or by Ben Mulroney or on college radio or whatever it is.... The only film I've seen that's had any kind of hype in the recent year is *Men with Brooms*. It was very successful because it had that advance hype.

Canadians aren't going to go see films if they don't know there's any buzz about them. So I put it to you, are our distributors doing a good enough job, is the hype there, is the marketing there, and if it's not, should we turn it over to foreign distributors who might do it more intelligently?

Mr. Dan Lyon: I spent 17 years as a distributor, so with the permission of my fellow panellists, I'll try to address some of your questions. No, it's not my fault.

First of all, there have been some notable successes in addition to *Men with Brooms*—*Mambo Italiano*, *The Art of War*, and there are many other examples.

Ms. Jennifer Jonas: *The Red Violin*.

Mr. Dan Lyon: Yes, *The Red Violin* and *Spider*. I'm not sure what it is about our national psyche, but as Canadians we do tend to think about the failures more than the successes, which is in fact part of the problem.

Telefilm Canada does have some programs to assist the distributors, and it includes assistance with marketing dollars. Those programs have been effective in terms of putting more money in the system, and many producers feel we would be better off if we were treated as true partners when it comes time to market the film—in other words, more of a partnership and less of a handing-off of the movie. Telefilm in fact has tried to do some things in order to address that, including recommending to producers that a marketing consultant should be brought aboard a project at an early stage, even before the distributor is involved.

Mr. Charlie Angus: Again, though, in music that would be a given. That we have to mandate it through Telefilm seems to me to be a fundamental problem here. You say there are successes, and there are, but the average Canadian often doesn't know they are successes because they aren't seeing the hype.

Mr. Dan Lyon: We definitely need to trumpet our successes. The Genie Awards were broadcast in recent weeks, and unfortunately my understanding is that not enough Canadians watched that show. So yes, there seems to be a fundamental problem.

Mr. Martin Katz: If I can, Mr. Angus, I'll just add that the example of the music industry is an important one. We have internationally recognized music creators in this country now who are in the top echelons of their creative business worldwide, and I think it's fair to say they came into being through a program that was specifically quota driven. The last 20 years of music-on-air quota enforcement has led to a very significant impact on the business of music creation in this country.

I think it is the case that in the television and certainly the feature film business we do not have that level of support. That's one of the reasons our recommendation here was that a coordinated look be taken at all the various roles the federal government plays at the level of the CBC, the NFB, broadcast policy through the CRTC, and so on. It needs to be a motor for generating that kind of support for the local creators.

• (1045)

Mr. Charlie Angus: Well, clearly, if we hadn't had the CRTC quota initially, we wouldn't have built the first-level star system, but it was the industry finally changing its distribution models that allowed.... The fact that every single act at the Junos is a superstar at the average kid's high school makes the difference.

The question goes back to this. We talk about quotas; do we need to be looking at having our distribution and marketing system for films go hand in hand with that, and should we open it up to foreign distributors, who might be a little more savvy than who we have right now?

Ms. Jennifer Jonas: I think the CRTC has served the music sector better than it has the film and television sector, which you guys with FilmOntario talked about previously a bit. I also think, with regard to distributors, their enthusiasm for the promotion of product will amp up once exhibitors are also more receptive to keeping Canadian product in the cinemas.

Mr. Dan Lyon: Also, marketing is not only the theatrical or stage marketing; it's the DVD marketing and the television marketing.

Certainly, the broadcasters can be more effective partners in marketing during the theatrical window. We would certainly like to see increased marketing efforts, but we don't want to see a focus only on theatrical. That's in fact been one of the problems. We're setting ourselves up for failure by saying the theatrical is the be-all and end-all. It's not. There's DVD, there's television, and there's the Internet; there are other ways of seeing a movie.

Ms. Victoria Hirst: I would like to bring up the point FilmOntario mentioned this morning to the effect that having a strong television industry helps build a strong feature film industry. What the television industry does is build or help generate the star system. It creates interest in the press; it creates an appetite for articles about Canadian stars and helps build and develop that, which distributors can then use themselves for their marketing.

The Chair: Thank you very much.

I want to comment particularly on what you said. We heard that in spades in Winnipeg on Monday, that the promotion needs to involve the producers because they have a passion for the project the distributors do not have. Thank you for reinforcing that point.

Thank you all very much for your time this morning and for helping us out with our work on this important topic.

I'm going to suggest a five-minute break. My apologies to the witnesses we are keeping waiting, but I certainly need one. It may turn into seven minutes, but we'll proceed as quickly as possible.

• (1048) _____ (Pause) _____

• (1101)

The Chair: Thank you very much. We will resume.

As you can see, the problem is that we never get to ask all the questions we want to ask and we never get to explore all the possibilities that we might want to explore. It's frustrating for us; I'm sure it's frustrating for our witnesses.

I thank ACTRA for being here this morning, and I thank Sarah particularly for doing a great job on *Canada AM* and for publicizing the work the committee is doing. I know she's going to show us that great graphic she had in front of the Canadian people this morning.

Who's going to start off?

Mr. Paul Hoffert (Chair, Board of Directors, Guild of Canadian Film Composers): We thought you would tell us. We're okay, either way.

The Chair: Listen, I must say one of you mentioned this morning that you were very nervous about this presentation. I want to tell you we're more nervous, because we don't know nearly as much as you do.

Mr. Paul Hoffert: To start off, we'd like to give the committee two pieces of information that the Guild of Canadian Film Composers has recently produced. These are informational, educational DVDs. The first one is called *And now... The MUSIC SCORE!* It details, with more than four hours of interviews and following the actual process, what happens from the time a composer gets a job to create original music for a film to the final cue sheet registration with organizations such as SOCAN. So this is what we do, and hopefully it will mean we don't have to spend time discussing that with you.

The second one is hot off the press, as they say, and it is called *And now... The SOUNDTRACK BUSINESS!* I would hope this would be very informative for the committee. This has interviews with 33 industry professionals, including lawyers, business affairs managers, producers, some composers, music library sales organizations, and copyright collectives, explaining all of the alphabet soup of the various acronyms and collectives and how the money flows from beginning to end in the business of soundtracks in the film, television, and media industries.

In fact, some of the issues we want to speak to are supported by industry people, including Telefilm, and certainly lawyers. They support some of the points we'll be making.

The guild is an association of professional composers and music producers for film, television and new media. We have some points we'd like to make, and we'd be very happy to answer your questions afterwards.

I wish to add one point to our formal letter we sent you. We were present during the previous discussion. Because many of us are also in the music industry, being composers and musicians, if the committee has some questions about drawing some parallels between the music industry and the film industry, both Christopher Dedrick, the president of our guild, and I come from a time both before and during the regulatory period of the Canadian music industry, and we would be happy to share our perspectives, not to dilute the thrust of our presentation.

First, we think the most important thing is that in an era that is undergoing fundamental technological and business change, the copyright, who owns what and where the downstream revenue comes from, should be paramount when the government considers what it does with the film industry and any other industry. In the film industry, copyrights are created by three particular inputs to the services, one of them being screenwriters; another one being composers, our own group; and the third one being producers.

We wish to make the point that the government should ensure that when there is Canadian taxpayer funding, all the copyrights remain with Canadian producers, Canadian writers, and Canadian composers. We believe that the points in a Canadian content system should make it compulsory for the composer, the screenwriter, and the producer to be part of that package with those copyrights. My colleague will go into this further. The reason we say this is that there has been a very disturbing trend, particularly over the last five years, to erode that retention of copyrights. Even in the cases where they are created in Canada with the support of Canadian taxpayer money, those copyrights have been flowing outside of the country, and we believe that's inappropriate.

•(1105)

The second point is that we think new incentives should be created for exceeding the minimum levels of Canadian content within the existing point system. Without making a specific recommendation on how the government might change its rules, let's say the minimum number of points was kept at six. If government investment in a production, according to particular guidelines, was a maximum of x dollars, the x dollars would not be invested in a production that had a minimum of six points. So if you had nine or ten points, the government would put in that money, and with the minimum amount there might be some scaled-back investment.

The bottom line is to create some incentive—not just hit some arbitrary threshold of points, but have a minimum threshold of points for participation of government taxpayer money, and then over and above that, continue to have incentives, so even if the minimum were made, producers would have an incentive to get more points.

On how this might work, the marketplace would actually dictate, because if producers reasonably suggested that they needed to have non-Canadians participating in particular positions in a film because it would help the saleability of their product, the more saleable it was, the less Canadian taxpayer money they might need to support the project.

On the third point—this is a bit of a technicality, but we think it is very important—we believe there is a lack of transparency and a flaw in the way Telefilm budgets are required from producers. In particular, it has to do with using a single line item within the Telefilm budget for music as a catch-all phrase. Again, this will be detailed in the DVDs we have given you, but the actuality is that there are generally three areas of music expenditures in a film. One area is the creative fee, or the retention of a composer to create the music. The second part is the cost of actually producing the musical score. That can vary from being a clarinet and piano score with two musicians, to a 100-piece symphony orchestra, or whatever. The third area is licensed existing music, which includes music from libraries, but quite frequently hit songs or other songs that are licensed from third parties that may or may not be Canadian.

The problem is that a budget line item might say the music cost was \$115,000 and there was a Canadian composer. With the existing system, the implication is that the Canadian content portion was worth \$115,000. The actuality might be that a composer got paid \$5,000 or \$10,000, and the production took place in Canada or elsewhere, but \$100,000 was spent on licensing a hit song from the United States, Britain, or wherever. Therefore, there's a lack of transparency in looking at these budgets and being able to determine exactly how the money was spent and what the Canadian portion was.

Fourth, we believe it would be a very positive step if the government had some means of monitoring and having ramifications for producers who do not live up to their promised budget expenditures in a substantial way—not to the penny. If a producer gets investment from the taxpayers of Canada based on producing a document that includes a budget that says the producer will spend money substantially in a particular manner, and the producer does not spend the money in that particular manner, we think there should

be some consequences. Most particularly, the nature of the music soundtrack business is such that by the time the music is produced, and most frequently by the time the composer is hired, most of the production has taken place.

•(1110)

Many overages—which are frequent, if not inevitable—have taken place, and the net result is that a producer may have had that line item, which we hope would be three line items.... But even if it were three line items in the budget for a certain amount of spending in the area of music, by the time the music contracts are made and the composer is hired, that money may have diminished significantly or may have been almost totally evaporated by other overages, and there is nowhere else to get it.

So again, for the purpose of transparency, we think the numbers that are presented by your producer should be monitored in some way, and if the producer does not adhere substantially to their promise, there should be some consequences.

With, with respect to Telefilm, there is the splitting of the line item into three items, but there have been conversations between the guild and Telefilm for many years, all of which have generally ended up with a great agreement on a particular problem at the meetings, but no action whatsoever in terms of trying to solve the problem. It has to do with a requirement that's on the Telefilm website that says producers must own all copyrights—I don't have the exact language with me—but in order to qualify for Telefilm funding, producers need to own all the copyrights in a production and embed it in the production. It's not a viable assumption. It's not the way the industry operates. It's not, according to our meetings, what Telefilm intends, and yet the language is there and hurts composers everyday in the following manner.

Producers phone us and say that we must give them our copyrights to the music we create, because otherwise they can't get Telefilm funding. And when we turn around to them and say, "But this makes no sense. In your film, you're licensing a Paul McCartney song at the beginning of the film. Does Paul McCartney give you his copyright on that?" They say, "Of course not", and then we say, "And in your film when the characters are going up in the elevator and they hear a little background classical music—that comes from the music library that owns the copyright, which of course can't give it to you because they license it into 150 other films—you don't have the copyright to that, do you?" They say, "Of course not", and we say, "Well, why is it that just because we do original Canadian music you say you need to take our copyright and own it?" They say, "Well, it's because Telefilm says we have to".

So this is an issue that, as I said, in private meetings Telefilm has said they will fix. But it's not fixed, and it causes great distress to us, and great cost in lawyer's fees to both producers and us to sort this issue out. We think it can be solved with perhaps a simple stroke of the pen.

For item six, we believe the CBC and the National Film Board—neither of which has, in our mind, active publishing departments—should not do what they have recently started to do, which is to ask composers to assign all of the publishing rights to our music to the CBC and the National Film Board. We don't, in fact, even ask that the CBC and NFB be treated differently. We try to hold our producers to the same standard; that is to say, part of the industry business is that if we compose music for an international film production that has the participation of one of the major film distribution companies that are frequently allied with one of the major record companies and music publishing companies, they are required to become the publisher of the music in many of those instances. However, in those instances, these are major publishing companies, with thousands of employees throughout the world, that exploit the musical works and flow revenue back to the composer.

•(1115)

I can tell you that it's the experience of the Guild of Canadian Film Composers, with seminars that have gone across the country of Canada almost annually, that when we've asked our members whether they ever receive any exploitation income of their works from the CBC or the National Film Board with regard to the publishing they do outside the film project, that the answer has been never. I'm not saying it never has happened, but we have not heard of an instance where there has been an actual exploitation.

We therefore feel it's absolutely inappropriate for these organizations to be taking rights that a Canadian publisher—or indeed, a composer as a publisher—could exploit, which we no longer have the right to exploit if we assign these rights to the CBC and the NFB.

On number seven, I'll just make a brief remark. It has been mentioned in the previous panel. We believe it would be very helpful for the government, in whatever way it sees fit, to support the marketing and promotion of Canadian films in the marketplace.

With that, I'll close the formal part of our presentation. I'll be happy, with my colleague, to answer any questions you may have with regard to this.

The Chair: Thank you very much. I think we will continue with ACTRA's presentation, and then members of the committee can choose whom they wish to question.

Thank you.

Ms. Sarah Polley (Actor, Director, ACTRA - Toronto Performers): Hi. My name is Sarah Polley. I'm a performer, writer, and director, and I'm here today with my colleague Don McKellar. I am the one who said we were nervous. We are very excited to have the opportunity to talk to you today about this, and we haven't slept.

We are here speaking for our union, ACTRA Toronto, representing over 13,000 performers who work in the Canadian film and television industry in Toronto. We perform alongside more than 10,000 others: directors, writers, and crew.

A member of this committee recently gave an interesting speech in Montreal. There were a lot of things in that speech that I don't agree with, but she made a critical point that I strongly endorse. She said, "In English Canada, we must take a page from the book of French Canada, who celebrate their arts and for whom culture and arts are as essential to their way of life as food and water."

That sounds exactly right to me.

•(1120)

The Chair: I am going to ask whether you can slow down a bit. That speed might be giving our translators some problems.

Ms. Sarah Polley: Okay. I'm going to calm down right now.

Some hon. members: Oh, oh!

A voice: Or do it in French; that will slow it down.

Ms. Sarah Polley: Yes. That will really slow it.

A hundred years ago this country was held together by a railroad. Today it's held together by our shared values, a sense of having a unique culture and identity and incredible diversities. This distinct voice is expressed by the arts, and the most compelling and widely viewed forms of the arts are television and film.

If our national government fails to be a good steward of our country's culture, particularly in its most powerful and compelling forms, it has failed its most important job. And from my vantage point as a Canadian artist and as a citizen, our national government is failing.

We will hopefully have some time for questions in a few minutes. We can both share some personal experiences with you about the challenges of trying to make Canadian films and get Canadian films seen. For now I just want to invite you to look at the results, and to look at them the way filmmakers, actors, and artists look at them: not by measuring the money or the profit, but by looking at whether we are reaching and connecting with Canadian audiences.

I have something here that I was going to show on *Canada AM* this morning, but I decided it wouldn't be the polite thing to do. It is last week's prime time schedule on CTV. The American shows are in blue, and the Canadian shows are in red. I think it pretty much speaks for itself; there is not a lot of "Canadian" here for Canadians to see.

Now I'm showing last week's prime time schedule on Global. The American is blue and the Canadian is red.

And here are this week's film offerings in Toronto. This is Canada's largest audience for Canadian films. The American films are in blue, the Canadian are in red, and the international is in white.

I think when you look at these charts you are looking at a failed national broadcasting policy, a policy that has largely sold out English-language prime-time Canadian television to another country. And you are looking at a failed national film policy that has largely sold out our screens to another country.

We are really encouraged that this committee decided to hold these hearings. I think that means you think something isn't working and needs to be fixed. I think, as these charts demonstrate, a lot needs to be fixed, so thank you for the opportunity for us to speak.

Mr. Don McKellar (Actor, Writer and Director, ACTRA - Toronto Performers): Hi, I'm Don McKellar. Like Sarah, I'm an actor, writer and filmmaker. Sarah and I represent the first generation—or maybe the first and second generation—of English Canadian filmmakers who made the choice to remain in Canada and work in Canada despite significant offers from the south.

Unfortunately, now, for the first time in my long career in Canada in film, it's impossible for me to recommend wholeheartedly that young filmmakers remain in Canada. It makes me sick that I can't do that. But we have to start giving Canadian artists a reason to stay in this country. We have to turn things around. So here's what we're proposing.

First of all, let's promote the production of more quality Canadian movies. Let's ease the production of those movies, and let's force open the shelf space both in Canadian homes and on theatre screens so that Canadians can actually see their stories.

Fundamentally, promoting the production of more quality Canadian movies is about more and better scripts. Canada needs to make a determined and long-term effort to develop screenwriters and to make it possible for them to make a living here. Once we've done that, the stories should be produced based on the quality and the team involved, not on some bureaucratic template dictated from above. When I say "above" I mean Telefilm, if we can call it "above".

Easing the production is about bringing some stability and clarity to the environment we work in. It would be a very fine thing if creative people in the film and television industry didn't have to crawl through glass every year or two in front of committees and in the halls of Ottawa to keep what we already have. So we urge the Government of Canada—and this is a point the producers made—to make a long-term commitment to support Telefilm, the Feature Film Fund and the Canadian Television Fund, and the CBC.

We need to keep the rules consistent for a while. Continuity in the industry was a problem in the last Telefilm regime. Always remember that people's livelihoods are on the line.

● (1125)

Ms. Sarah Polley: The main thing we'd like to talk about today is forcing open the shelf space. Let's start with theatrical distribution. Famous Players may be sold; you've had some talk about it here. The theatre chain is an enormous part of the film distribution system in Canada. I know you discussed this matter with Wayne Clarkson when he was before you a few weeks ago.

We urge the Government of Canada to not miss another chance to attach conditions on the sale of those theatres. The new purchaser of Famous Players should be required to make some clear, permanent,

measurable, and measured commitments to increase the proportion of its screen devoted to Canadian film. In addition, there should be a requirement for exhibitors to consistently screen Canadian trailers. Those conditions should then become a template for all future purchasers of the Canadian theatre chain to the extent that the federal government can impose them.

Ottawa should work with the provinces to encourage coordinated provincial enforcement of the same rules of the game. That would be a great start, but just a start.

Mr. Don McKellar: We're tired of Telefilm blaming poor box office on the artists and demoralizing filmmakers and doing nothing about exhibition and distribution.

For many years now, the Government of Canada has provided Canadian-owned distributors with an enormous unconditional regulatory subsidy. Government rules withhold public support from Canadian films unless they have a Canadian-owned distributor. You discussed this point with the Hollywood studios, with their trade association. We can assume that the Government of Canada set up those rules on the assumption that Canadian distributors would care about Canadian films, but we're having a hard time seeing that love and wondering whether they earn that benefit. Instead, those who have survived have built comfortable businesses for themselves by skimming a little off the top as they distribute Hollywood films.

I don't think the answer is foreign distribution, which already owns 99% of our distribution on the screen. But that subsidy is leverage that the Government of Canada can use. The Government of Canada should require Canadian distributors to come forward with binding, permanent, measurable, and measured commitments to increase and then to maintain the aggressive marketing and wide distribution of Canadian films. These commitments should be monitored.

Ms. Sarah Polley: And then there's television. We've had some discussion about the need for a Canadian star system. I think that in many ways I've always felt this was putting the cart before the horse. People won't recognize our actors if they've never seen their films or seen them on television. It is a bit of a circular thing. We have to make sure Canadians see Canadian film and television so they get to know our actors, before we can start thinking about how to get our actors more known.

As the Quebec experience demonstrates, television drama is an excellent place to begin to build a star system. People who make their names as performers in prime-time drama on TV can then carry a domestic film.

Television is the future of film in a more direct way. The CRTC presented numbers at a recent hearing of this committee that made the point. Most Canadians get to see Canadian film at home on their televisions through cable, pay TV, and DVDs, and very soon, over the Internet. But now look at the records of our private broadcasters and of our broadcast regulator. Just like Canadian film distributors, Canadian television networks are getting a free ride from the Government of Canada. They're being provided with hundreds of millions of dollars in regulatory subsidies through their broadcast licences and simulcast systems. The Government of Canada, by tolerating the catastrophic 1999 CRTC broadcasting policy, is basically giving those regulatory rents away for free. In the past five years, the broadcasters have been essentially deregulated. The result? I showed it to you.

At the times when our audiences are watching it, on the channels on which they are watching it, English-language television is a wasteland of foreign shows and foreign films. The Government of Canada should use its authority under the Broadcasting Act to instruct the CRTC to revise its 1999 television policy and to return to its job of enforcing the act in the public interest.

Tough Canadian content, spending, and programming development conditions should be applied to the broadcasters and speciality channels as a condition of renewing their licences, including a requirement to broadcast, pay reasonable licences for, and promote Canadian films and trailers. The goal should be a solid presence of Canadian drama, heading to predominance in prime time.

Now, to help make sure that happens, the federal government should fill the current vacancies on the commission with people who support the letter and spirit of Canada's Broadcasting Act, and not with former broadcasting executives who are then in a position to collude with their former employers.

• (1130)

Mr. Don McKellar: My final word is about the CBC again. Former Telefilm Canada CEO Richard Stursberg has proposed that the English-language side of the CBC double its investment in drama and that the CBC seek to rebrand itself as the premier network for Canadian drama. I never thought I would support anything Richard Stursberg said, but in this case, why not? And what's more, it would be nice if the CBC grew to become a meaningful partner in future film development, like Canal Plus and Channel 4. I swear I didn't plagiarize that line from the producers' presentation. It just happens to be the exact same point.

The government should provide the CBC with access to the funding it needs to double its dramatic programming, and then hold it strictly accountable for results.

Thank you very much for your attention and interest. A lot of creative people are looking forward to what this committee has to say, with almost un-Canadian hope.

The Chair: Thank you very much.

We start now with Mr. Schellenberger.

Mr. Gary Schellenberger: I must agree with you wholeheartedly on that very last statement, that the Government of Canada should provide the CBC with access to the funding it needs to double dramatic programming. Now, I didn't have that, but I'm very struck

by the CBC having long-term, stable financing. I think they get put into a position sometimes. A billion dollars sounds like a lot of money, but if you mandate more than that, we all know what that means; they may be cut back in some sectors. I do feel there has to be long-term, stable funding, and yes, they should be accountable for money that is put in there for a specific purpose.

So I just wanted to make that comment. I know there are government moneys allotted, but some of it isn't really getting to the producer and the director and the artist. A lot of it goes to overhead, whether it be lawyers, accountants, or for bridge financing. Again, I know we talk about some tax credits, or advance tax credits, to get them ahead of the game. Producers can use that to get their...so they're not spending it all on interest at the banks.

What change would you see in the policy we have right now that might help that? I ask whoever would like to answer.

Mr. Don McKellar: Do you mean a change such as getting more money to the artists?

Mr. Gary Schellenberger: Yes.

Mr. Don McKellar: First of all, let me just say about the CBC thing that if you pitch a series to the CBC now as I have—I had a series on CBC, and many of my friends have—they will always say they love the idea, but they don't know if the funding is going to be in place. So it's stalled for a year or two and usually doesn't happen.

With regard to more money, of course I agree with you. I'd love to see more money. But the reason we stay in Canada is not the money. I think it's important to note that we stay here because of creative control. That's really all we can offer in place of money. If we wanted money, we'd go to the States. There is no question the money is better there. We remain here because we want to live in Canada, because perhaps these are our people and these are our stories, but also because we believe there's a vibrant community—at least, there was a vibrant community that was making movies—and because our movies were being made, and because we generally had creative control. In other words, we are staying here for cultural reasons. So I want to emphasize that.

I don't know how to take overhead off, for accountants and things like that. Certainly, there is a problem with the guarantors.

• (1135)

Mr. Gary Schellenberger: Okay, I would like to say just one thing. I do know that in agriculture there are various fundings that come from the federal government to go to our farm people. It never makes it to the farm gate. It gets all eaten up in all the accounting and various other attributes. And the moneys were not put there in particular to help the accounting industry.

So it's things like this that I think—

Mr. Don McKellar: Well, I think part of it has to do with, as you said, accountability and whether people are held to the money. Right now distributors are required by Telefilm to make a distribution promise for the films in order for them to be green-lit. No one tracks that, and no one takes them to task when they don't follow through on it, which no one has. No distributor has yet, as far as I can tell, in English Canada.

Mr. Gary Schellenberger: Mr. Hoffert, you talked about the copyright laws and copyright leaving the country. Would the ratification of the WIPO treaty help or hinder that particular interest that you are talking about? And would the report that this committee brought down last year help your particular problem?

Mr. Paul Hoffert: Yes, both of those. First of all, the WIPO treaty is one treaty that strengthens copyright in general, and it is important for Canada, having signed the treaty, to ratify it. The recommendations that have been made by this committee and other committees have many recommendations within them that would help strengthen it.

I would like to spend a minute on my background, because you may not be familiar with it. I'm a former president of the Academy of Canadian Cinema and Television. I'm one of the founders. I'm also one of the founders of the Canadian Independent Record Production Association, CIRPA. I currently chair the Bell Broadcast and New Media Fund and basically distribute \$7 million worth of ExpressVu's money for production in Canada. And as a professor at York University, I look at the implications of moving from the industrial age to the information age and at the new technologies for distributing content.

As we look at the changes that are taking place not only in the film industry and in the television industry, but in all these other industries that are based on the same creative folks who are sitting at the table with me and all of our colleagues, the important issue that stays the same is the content piece. Who is going to make it, and where is the money going to go?

The reason GCFC is so focused on these copyright issues and ownership issues is that as times change, the technologies will change, the distribution will change, and the places where the money comes from will change. The only thing that won't change is the ownership, who gets the benefit of these things. I would therefore reiterate that it's very important, especially in the light of the fact that all of these new forms of distribution are coming along—DVDs, the Internet, and so on—that the ownership and copyrights stay.

I would put on the record for the committee a very disturbing trend that we have seen over the last five years. It's a trend in which composers are approached routinely by international and sometimes Canadian producers who are proxies for international producers asking us to give up our paternity in the works that we create, as ridiculous as this may seem. In other words, they say that if I sign one of these contracts, that would deem the employee of my employer to be the author of my work. The end result could be and would be that instead of Paul Hoffert being listed as the composer, it would be listed with somebody else's name legally, because I would be an employee for hire.

This has been a very successful reality in the United States, and the example that is most frequently cited is a gentleman by the name

of Mr. Saban, who holds a huge building in Hollywood and now is a big owner of one of the near-major networks. Some years ago, he began hiring music school students to write the music for animated children's shows. He gave them these kinds of contracts and put his own name down as the author. I believe he was called in front of a congressional committee some years ago, with evidence that, according to the records of BMI and ASCAP, he had personally written the music for 5,000 programs in a given year. He categorically stated that, yes, he did. Legally, he is a free man and not in jail or anything.

● (1140)

In general, this has encouraged folks who we feel are perhaps unscrupulous to present creators with these kinds of contracts that fundamentally undermine any hope we would have in Canada of retaining ownership of what we create and having any moneys flow to us. We believe it's very important that the government support the categorical elimination of any of these kinds of deals and that Telefilm have clear guidelines that none of these kinds of contracts, none of these kinds of work-for-hire deals, be allowed in the country.

Thank you.

The Chair: Mr. Schellenberger, what you are telling me is that if this had been going on previously, we might never have known about many of our classic composers, because the names on the works would have been those of their patrons, not the actual composers.

Mr. Paul Hoffert: Exactly. You would have heard that Prince William had composed the work we know by Mozart.

The Chair: Mr. Simms, and then Monsieur Lemay.

Believe me, I'm following the pattern. We have a routine schedule here to make sure everybody gets their fair share of time.

Mr. Marc Lemay: Is it Mr. Silva now?

Mr. Scott Simms: Are we rolling the dice on this? Is that how it works?

The Chair: No, not at all. I have my road map right here.

Mr. Scott Simms: I'm intrigued by what seems to be inequity in the system. It goes back, Mr. McKellar, to what you said about the distributors receiving this subsidy under the guise of being wonderfully good and kind to the industry in distribution.

Could you go further into that, because I find it somewhat intriguing. Where are we right now with this? They do distribute some of the Canadian films, do they not? Are there no regulations around this whatsoever as to how many they can do?

Mr. Don McKellar: Well, they distribute all Canadian films, Canadian distributors. You know, Americans distribute, as I said, 90% of the films, and Canada is considered domestic for them within their contracts. But if a Canadian film is going to get funding from Telefilm, it has to have a Canadian distributor.

Yes, they are being asked by Telefilm now to make commitments and step up their commitments to Canadian film, and there are some incentives in place. But yes, we believe there is a problem, to answer Mr. Angus' earlier question to the producers. We have no problem saying that there is a systemic problem with the distribution in this country.

And perhaps it is partially a provincial issue, as has been brought up before, but in that case the provinces should be shamed into doing something about it. There are a number of areas in which the provinces should be shamed by this committee, by the way.

Mr. Scott Simms: Sorry, what was that again?

Mr. Don McKellar: In the sense that I've heard it said that it is not in the jurisdiction of this committee necessarily to make certain conditions on exhibition and distribution, it might be provincial. And if that's the case, then I think the provinces should be encouraged to do something about it.

I'd just like to make another point on one of your questions from earlier on. There is a huge amount of animosity toward Canada from America about, as they call them, runaway productions.

I've just come back from two film festivals in the States—and those are my first and last questions in the question and answer. There were angry, angry Americans in Texas, where I was, in Austin, and in Minneapolis. And I remember going down to the Oscars a couple of years ago and passing a block of anti-Canadian protestors in front of the Oscars. Canada is definitely being scapegoated by America. It's completely unfair, but a lot of American states have responded by building incentives of their own to match Canadian incentives, like Louisiana. I just talked to the Governor of Minneapolis, who said they're going to try to do the same thing.

That's why we and ACTRA believe that the bedrock of industry has to be the indigenous Canadian industry, and I think that is a primary point.

• (1145)

Mr. Paul Hoffert: We would echo what Mr. McKellar says.

Mr. Scott Simms: Okay, from an ACTRA point of view, and I'm looking at the schedules here, obviously it has become quite apparent to all of us now that the decision in 1999 was devastating to the industry in many regards. But as far as your union is concerned, ACTRA itself, how bad has it been and how has the well gone dry?

If you're equipped to answer that one...

Ms. Sarah Polley: I don't have numbers for you in front of me, but I can say it's been a very difficult couple of years for us. There has not been a lot of work to go around. And between all of those factors that have been brought up before—but this has been a big part of it—it's a really tough time.

We feel you have to earn your hundreds of millions of dollars in subsidies from the federal government. That money is given to these broadcasters with an expectation that we're going to get something back as Canadians, culturally. That's not happening, and I think that is a disgrace.

Mr. Don McKellar: It should be pointed out that a lot of those Canadian...the red marks on those charts are also talk shows or very cheap shows that don't employ a lot of actors.

Ms. Sarah Polley: And something like *eTalk DAILY*, which is the majority of CTV's prime time Canadian schedule, which primarily focuses on American entertainment.

Mr. Don McKellar: And hired Ben Mulroney.

Mr. Christopher Dedrick (President, Guild of Canadian Film Composers): Can I answer that?

You'll notice that everyone at this table is not just an actor, or not just a composer of one kind of television music or just film music, as you see in Hollywood, where you're one thing or another. Everyone writes, everyone acts, everyone directs, and everyone produces, because that's the only way you can get by here.

By way of anecdote, what has happened in the last two years is that we have membership in L.A., Canadian composers who have gone there to see if they can do better than they do here. In the 1990s I attended SCL, our sister organization in the States, a similar organization. I attended a seminar there, a workshop, and Canadian composers who were in L.A. in the mid-1990s to make it big were asking me if I could help them get work in Canada, because everyone was working so much here. Believe me, that's not happening now.

I think we realize that what happens to producers is what then happens to all of us as composers, as actors. Whatever happens on that chart affects so many more people. Again, you have composers who want to live in Canada, for the same artistic reasons, for the same lifestyle reasons, and for the same philosophical reasons, who are actually being totally affected. It's not just the big producers. It's not even just the actors you see on the screen. There are so many people being affected by these decisions.

Mr. Scott Simms: Yes, and there's the flip side of that, too. A lot of the comments that I get from all these broadcasters—being in this position, because everybody comes at you from all different angles—is that now the regulations are being eased to allow some of the bigger American networks to come in, such as FOX News and these people, and of course, that in turn becomes a shackle to their ability to compete. However, that becomes a detriment to you, because these channels don't care. Obviously, the FOX News organizations of the world and other...

Well, the big productions, such as *The West Wing*, don't care about our industry, but we do.

On the stable funding to the CBC, I would like to echo the comments of my colleague that it is certainly one step in the right direction.

Do I have enough time for one question?

The Chair: Yes.

Mr. Scott Simms: Okay, great.

Mr. Hoffert, you talked about this point system that you have, meaning a minimum of six points, and then with more points added on, you qualify for a bigger amount of subsidy. Is that correct?

Mr. Paul Hoffert: That's correct.

Mr. Scott Simms: Aren't you scared that's going to water down your product?

Mr. Paul Hoffert: In what way?

Mr. Scott Simms: Well, if you have six points and you need to get in Canadian content of some sort to make that extra few points to get that subsidy, do you feel you're giving up an opportunity for someone internationally for the sake of qualifying for a subsidy?

• (1150)

Mr. Paul Hoffert: I don't think we're suggesting that a particular scheme, which I outlined briefly—that being, say, six points gets you a percentage, a pro-rated percentage of the maximum, and as you get more points, you get up to the theoretical maximum of investment—may or may not be the perfect way. The underlying theme we want to make is that it would be much better to encourage producers who are more Canadian, who employ more Canadians, to have more benefit.

What we tend to hear from producers, which makes sense, is that sometimes in order to get an international deal, it helps them if they use international, non-Canadian people on their project. That's business. That's okay.

Well, if that has a commercial value for them that they will be able to quantify by getting a better deal, or perhaps getting a deal instead of not getting a deal, then why shouldn't that be taken into account, compared to producers who don't have that commercial advantage because they use all Canadians?

So instead of putting everybody on the same playing field and saying a production that uses all Canadians in all roles.... It may very well be that these are some lower budget productions, or it may not, but a producer who wants to put together a very Canadian production that exceeds the minimum, we believe, should have more incentive and more public benefit than those who have some private benefits outside of the system.

The Chair: Thank you.

Mr. Lemay, go ahead, please.

[Translation]

Mr. Marc Lemay: Good morning. Thank you for being here.

I will now address the representatives of ACTRA. Your document is dated Friday, April 1. Is it an April Fools trick?

[English]

Ms. Sarah Polley: It actually is from April 1, but it is not an April Fool's joke.

[Translation]

Mr. Marc Lemay: That's okay.

[English]

Mr. Don McKellar: No one is laughing, if that's the case. If it is a joke, no one is laughing.

[Translation]

Mr. Marc Lemay: I am astounded to see... And we are only talking about Toronto. We are not talking about Hamilton and other places in Ontario or even elsewhere in Canada. Such a thing could never happen in Montreal.

Some time ago, we heard some representatives from ACTRA. I suppose that you are aware that they have appeared. Among them, there was an actress who played a part in the film *Air Force One*.

[English]

Mr. Don McKellar: Wendy Crewson.

[Translation]

Mr. Marc Lemay: That's her. I could not recall her name.

Here is why. In their document, ACTRA seemed to indicate that building on the star system would be, as we say in Quebec, putting the cart before the horse. I wonder why the star system does not exist in English Canada while it does exist in our part of the country. Why? What is happening? Jim Carrey is more often than not going down to the United States. It is the only one that I know, together with Ms. Crewson. I do not begrudge them, but why is it this way?

[English]

Ms. Sarah Polley: I think Quebec did a very smart thing by taking back prime time, and people got to know the actors on Quebec television. If I understand correctly, that was a huge impetus for a star system to be developed in Quebec. We don't have our prime time in English Canada. We have American shows. When Canadians are watching TV, they are watching American shows almost completely.

Because we are not protected by having a language that's different from the Americans' language, I think it's very hard for us to define ourselves in the way that we have in our cinema as well. So I think we've got more against us.

[Translation]

Mr. Marc Lemay: Okay, but is the situation that prevails within the Global and CTV networks the result of the catastrophic 1999 decision?

• (1155)

[English]

Ms. Sarah Polley: Yes, it absolutely is.

Mr. Don McKellar: Yes, it was—initially, they did increase their Canadian output for a little while, but then as they thought no one was noticing, it went down and down and down to the situation it is in now.

[Translation]

Mr. Marc Lemay: What can we do to change this? One can feel that this is a national emergency.

[English]

Mr. Don McKellar: I don't know how we change it. We are kind of looking to you to do that.

Ms. Sarah Polley: There is also the issue that there are a few spots available, if I am not mistaken, on the CRTC. Right now, it's my understanding that all those positions are filled by executives and business people, and I think that in these kinds of organizations—and I include Telefilm in this—it cannot be just business people at the table. We need a few creative voices to be making creative decisions. I think that's imperative.

Mr. Don McKellar: It's a cultural pride thing on top of everything else. As you say, there is the language issue that helps Quebec. When you were talking, though, I was just reminded that before the last election, Paul Martin invited me to Montreal with a group of filmmakers to talk about the state of Canadian film. He opened his remarks by saying that the only argument for government support in the arts is a cultural argument. He went on to say that he thought it was an easy argument to make, just one that hasn't been made. I think it was actually a jab at Sheila Copps, who was then in her position; nevertheless, I notice he hasn't made that argument particularly since then.

You were talking about the festival system. The festival system in English Canada is very healthy. I just had a film that came out this fall. I think it is safe to say I went to more festivals in Canada than anyone ever has. I went to the Atlantic Film Festival; the Festival du nouveau cinéma in Montreal, which is a fine festival in my opinion, by the way; opened the Calgary and Edmonton festivals; and went to the Vancouver festival and Sudbury festival—and those screenings are always sold out. May I say that the Canadian films in the Toronto festival are always sold out right away. They're some of the first and most popular screenings, and that is also the case in Calgary. My film was sold out for 2,000 screenings. It also sold out in other countries too, by the way.

I've worked in every province and territory in this country, I'm very happy to say, even though this is an Ontario board, and I always am impressed with how eager people are to see Canadian films. They always come up to me with pride and tell me how much they loved *The Red Violin*, which I co-wrote.

Abroad, when I'm travelling.... At the Berlin International Film Festival this year, I was swamped by a group of thirty or forty Canadians saying how proud they were to see my film and that they had something they could get behind. So I have never, ever believed that was the problem. I believe they don't have the chance....

I might also add that the film circuit you were talking about is an amazing idea. It's run by the Toronto International Film Festival Group. They show films all around in the smaller markets throughout the country, and I think they account for something like 15% of the box office for English Canadian films. And it is a growing market. I was just in Kingston, I'm in Brampton this weekend, and I don't know where else, and those films are very popular when people have a chance to see them.

I was in Norway a while ago. I don't know if this is still the case, but at that time they picked a group of films. They had a committee that chose a number of films that they thought were significant or of value, and they ensured that they would be released in every territory throughout the country, including very small territories, like Lapland. These releases were simultaneous with the big city releases, and the independent exhibitors were given an incentive of box office returns for showing those films. They also showed international films that they thought were valuable, by the way, because they wanted to educate people. In fact, I was there because they were showing some Canadian films. They had remarkable success. Some films that they thought were urban art films played forever up in Lapland because they connected.

• (1200)

Ms. Sarah Polley: I think it is really worthwhile to be looking at what other countries have done about this very successfully. I don't think there is any one model that is particularly exactly appropriate to Canada, but I think it's worth looking at what they did in France, what they did in Korea, where they have had real progress.

Just to encapsulate what Don was saying, I really think there's not a lack of appetite, there's a lack of access. You don't go to see a film that you haven't heard about and that you can't find, and I think that's what needs to be resolved before anything else.

Mr. Don McKellar: Just continuing on Sarah's point, if I may—I know the question process has gone to hell—look at the history of every major film movement in every country. I'm sure I'm telling you what you perhaps know. There was the French new wave. The German new wave was based on an incentive for box office returns for the industry. Certainly now the model is Korea, which I don't know if you know is a huge international success both at the box office and artistically, winning all the awards internationally. In all of those cases, it was because of an increased regulatory move or an incentive of some kind from the government.

Aside from being one of the most successful emerging industries, Korea now is also one of the most regulated industries. Both distributors and exhibitors have a quota. As a matter of fact, it's across the board in their case. Except in India and America, of course, the stronger the government input is, the more successful the industry is. That is, I believe, just a fact.

The Chair: Thank you.

Ms. Oda.

Ms. Bev Oda: Thank you very much.

Thank you for coming today. Before we start, I just want to point out that I don't want to take the time to debate the speech I gave in Montreal.

Voices: Oh, oh!

Ms. Bev Oda: However, I'm glad to see that you did agree with some parts. I would suggest there are maybe other parts you would agree with as well, if we were able to discuss them.

I do want to take the opportunity to make sure I don't leave this on the record without some explanation. In your last point, you indicated there may or may not have been those who are in a position to make CRTC appointments “who are then in a position to collude with their former employers”.

Is this a real threat, and do you have any...? I just don't want to leave it on the record that there may or may not have been collusion, or the potential for collusion.

Ms. Sarah Polley: I think our point in general is that we need more voices at the table. We need more creative voices at the table, and we feel it is unfair that a regulatory body is comprised of broadcasting executives almost exclusively, or that the majority of it is made up of broadcasting executives. We think that's a problem.

I don't know that we were making any accusations of collusion, but it does present a problem, I think, when a regulatory body is such an unbalanced body. That's what we are addressing.

Ms. Bev Oda: We've heard from other people that they would like creative input at the table from various agencies.

Ms. Sarah Polley: Absolutely.

Ms. Bev Oda: Of course, we don't want to create the potential for another scandal here.

Mr. Don McKellar: I wasn't indicating that there was a scandal or we needed a commission or anything like that.

Ms. Bev Oda: Good. Thank you.

I do want to talk a little bit more about finding some real concrete ways we can support the industry, because that is how I would like to use this process. One of the things you are suggesting is to ask the government to require certain things from a Canadian distributor, and to hold them accountable.

So you make an application to Telefilm, and you've got a Canadian distributor and there is some kind of plan—and I know there are pressures on the resources and the expertise there—but do you have any suggestions as to exactly what specific criteria should be used by a government bureaucracy to assess a marketing or distribution plan and for accountability, because if you supported a project and a distributor says they were going to do this, this, and this, and the report comes in afterwards and says, “Well, they did 60% of what they said they would do”, how do you hold that distributor accountable? Do they get a black mark against their name for the next project?

• (1205)

Mr. Don McKellar: Essentially, I think that after a little while, a couple of black marks should start to mean something in terms of whether or not they get the same approval the next time they come in with a project.

Ms. Bev Oda: I guess what I'd like to know is the concept. Philosophically, it certainly makes sense, but how do we make this really work, because I think right now we think there is a Canadian distributor.... There was a reason why the government classified Canadian distributors in the hope of...but then how do we make sure it's going to be followed through and delivered on to achieve the results we would like to see?

Mr. Don McKellar: I don't have a problem with a bureaucratic institution monitoring that kind of information. I have more of a problem with bureaucratic institutions making creative decisions.

I think it's possible to see a plan, read a plan, and see whether people are following through on that plan, and see whether it's a reasonable marketing plan, and an inventive plan too. A lot of these distributors follow the exact same plan and aren't open to a regional approach, for instance, or a more creative approach, a more grassroots approach. I think they should be rewarded for being open. If they come forward with a film and they are benefiting from

getting their Telefilm money for a film they are distributing, they should be rewarded—and also chided, at least, if they are not following through or if they seem complacent. Complacent, I think, is a word that seems apt, in my opinion.

Ms. Bev Oda: Mr. McKellar, what I'm trying to get at is that I would also support the idea that the producer and more of the creative side be involved in marketing ideas, because they know what the vision is or where it is going to fit.

Mr. Don McKellar: This is important, as Mr. Simms said. But there should be vision in the distributors. Why should we say that there isn't vision and passion in distribution? I went over to England, and when I saw what my English distributor did with my film, it was so impressive that it just made me embarrassed about my distribution back home.

Ms. Bev Oda: I don't disagree with you. I'm not saying that the people who work at Telefilm don't need more resources. But the other part that I've found is that you have to spend as much time finding out how marketing is evolving in a particular industry, what new methods are being used, etc. Do we have that kind of ability within a government body that is going to say yes or no to a distribution marketing plan?

Mr. Don McKellar: They can monitor the successes. I'm not saying the government body has to be an advertising genius, but certainly you can measure successes. It's pretty easy to see. Take a film such as *The Corporation*, which is almost solely responsible for the English box office this year. Telefilm is touting it as being their responsibility. It was incredibly resourceful in the way it marketed that film. They found a really intelligent untapped market and came at it from all angles, and you can see the result: it was very successful at the box office. So I don't think it's that mysterious.

I would hate to see the responsibility for marketing being put on the producers and the artists, frankly. But we do have lots of ideas, and I would hope we'd be listened to.

Ms. Bev Oda: I just want to make sure that if we do put some emphasis on the distribution marketing plan, we're going to do real and effective reviews or assessments so that it is more than just dollars being allocated.

Mr. Don McKellar: Absolutely. It can't just be dollars.

Ms. Bev Oda: I just wanted to say that I did see *The Red Violin*, but it was in Port Hope at one of those little theatres that tourists go to, so I know the benefit of those festivals.

The Chair: Ms. Oda, your time is up.

We are over our time, but if our witnesses have the patience, I would like to give Mr. Angus one last shot and then give the chair two minutes. He's had more than his share of time this morning, by the way.

Mr. Charlie Angus: That's what they always tell me, but the record will show that's not the case.

I find this process extremely frustrating. I'm almost jumping out of my skin here. I'd prefer that we were doing this over a bottle of wine.

• (1210)

Mr. Don McKellar: Any time you want.

Ms. Bev Oda: He has said that to every witness.

Some hon. members: Oh, oh!

Mr. Charlie Angus: Someone is going to take me up on the offer. I'm just throwing out bribes here.

The Chair: Just so you don't think the four of you are special.

Mr. Don McKellar: I'll have to accompany Sarah.

Mr. Charlie Angus: Of course.

I have four or five quick points I'd like to make, just to throw this open.

First, I'm a huge fan. I'm not home very often, but when I am, we have a movie night with my girls. We don't often watch Canadian movies because Canadian movies aren't close captioned as a general rule and American movies are, and my oldest daughter is deaf. However, we are big fans. We celebrated a zombie Christmas with my girls, and we watched a whole series of zombie movies night after night, touched off by your famous zombie movie.

I just wanted that on the record. I don't know why. But it's very important for me to have it on the record for all of history to know.

Mr. Don McKellar: Unfortunately, it wasn't a Canadian film. It was the number one film in Canada, but it wasn't Canadian.

Mr. Charlie Angus: But it was close captioned, which made it possible to watch because we wanted to know what the zombies were saying.

The second point is the issue of having more artists at the table—writers, composers, and producers. We brought forward an amendment to this Telefilm bill, because as New Democrats, we felt it was very important to have someone at the table who wasn't just a broadcaster or a promoter. But that idea was shot down around the table because they said artists couldn't help but have a pecuniary interest.

Mr. Don McKellar: The only reason I spoke on behalf of ACTRA is that I thought they were one of the least self-serving people in terms of finances. All we want is a thriving industry that will hire actors. I don't think the composers are particularly biased, either, in terms of finances.

Mr. Charlie Angus: I wanted to get that out there. Looking at the record of what the broadcasters have done, I think maybe we need some people who actually have a pecuniary understanding of what's going on.

I don't think you have given us just a clear picture of how damning an indictment this is. I count 56 slots—half-hour slots for prime time. *eTalk DAILY* shouldn't be on there. We met them, and it's a great show, but that's not Canadian drama, so we take that off. We take off the rerun, discount *W5*, and we have one half-hour spot for Canadian drama on CTV.

Nothing against *Corner Gas*, but no wonder they keep talking about *Corner Gas*. There's nothing else to talk about. I would say this is very damning indictment. If we talk to the broadcasters, they

will tell us that of the 56 spots, 18% to 20% are Canadian. That is not true.

We look at Global. *Train 48* takes up almost the entire 7 o'clock spot. I have nothing against *Train 48*—I have a good friend on the production—but it is about as cheap as you can get, right?

Mr. Don McKellar: Exactly.

Mr. Charlie Angus: You put a bunch of actors together and you ad-lib. It seems to me they are just filling a slot. So what we see from Global, another of the main broadcasters, is an almost a cynical lack of commitment to anything Canadian.

I think this has to be on the record. I can't see this as anything else but a cynical throw-off of Canadian development and Canadian talent by our broadcasters. It goes back to the 1999 CRTC decision. I don't think the true cynicism and the lack of commitment of the broadcasters, who have walked away on Canadian artists, has been made clear.

Ms. Sarah Polley: Just to make you feel like it is even more cynical, two of the shows that say they are Canadian are reruns of *Blue Murder* and *Cold Squad*, so there is nothing new here. There is no new money going into Canadian television. We are being generous to include *Saturday Night* in prime time anyway. We are giving them some slack.

I would just like to bring up my favourite example of what's wrong with accessing Canadian films in Canada. There is a simultaneous release of *Dawn of the Dead*, a giant American Universal film that I was in, and at the same time the release of a film called *Luck*, a Canadian film. Not necessarily an uncommercial film, it was mostly a comedy. It is about hockey. I don't think it had that many fewer stars than *Dawn of the Dead*, which didn't have a really high-profile cast. They came out the same weekend, and I did the same amount of press for both films.

Dawn of the Dead opened in over 200 theatres alone in the GTA. *Luck* was at Canada Square for one week on one screen. I think that's a pretty unfair playing ground.

People tell you that you can't have artists on these boards because they constitute a special interest, but I don't think that broadcasters are any less a special interest group than artists.

• (1215)

Mr. Christopher Dedrick: I spent a few months in France last year, and two things stunned me. One was how incredibly popular Canadians are, how loved they are, how applauded we are for our various stances. I was there in the autumn.

The other was the use of television there to sponsor the star system. It is incredible. They are parading stars of all epics, all ages, from new and old. They are on TV all the time. They are always promoting what they are doing. Even if they are not doing anything at the moment, their faces are being seen. You can't really look at the film industry without seeing what is happening with the television industry.

You come back with your ears ringing with the news that Canadians just don't realize how popular they are and how important they are. They are looked to by the world.

Mr. Don McKellar: I am not mad at the Canadian film industry. It is incredibly respected. I was just over in Germany and I said, "How is the German film industry?" They said, "Oh, it's good, but nothing like Canada. It's not a cinema". It was nice to hear. That is just respect, internationally.

I used to be quite cynical about this. I thought that if we had a good film people would go. But this is not the case. I was naive. My film *Last Night*, for instance, a film I made in 1998, opened in a number of cinemas across the country, and it was number one in a lot of them. It was doing good box office, and I thought it was going to last a long time.

But then there was a film called *Meet Joe Black*, starring Brad Pitt. It came in longer than expected, three hours. It did very badly at box office and it got terrible reviews, but I was bumped across the country, even though I was making money. The exhibitors didn't want to upset whoever was distributing that film, and it was, after all, the next Brad Pitt film. In other words, I didn't have a chance. I think a lot of Canadians don't realize this and blame the movies.

Ms. Sarah Polley: I think it's also really important to emphasize that Canada really stands out in having very few players in the exhibition field. We have Cineplex Odeon, and we have Famous Players. These exhibitors have very close relationships with the major Hollywood studios. When they're told to bump a Canadian film that may or may not be doing well, I think they do it, by and large. That's why we can't emphasize enough that if Famous Players is sold into foreign hands, when it comes before the investment bureau it's important that conditions be attached to that sale that benefit Canadians, because there are only two exhibitors, and that's not the case in any other country.

The Chair: Thank you very much.

I know I speak for the other committee members when I say we feel very privileged to have this opportunity to meet some of the most creative people in our country, people who are really making sure our children and grandchildren know what this country's all about. So thank you.

Secondly, I thought the comment that this is about culture is very important. If you happen to read our records from Monday, you will see that ACTRA's representative was challenged for presenting the needs of the industry in economic terms—and in American economic terms at that.

Mr. Don McKellar: I agree those arguments are strong, but that's not the point.

The Chair: That's exactly it.

Mr. Hoffert, I wonder if you might provide the committee with some more information. You raised the impact of new technologies, and that's barely been touched on in our hearings. You're obviously quite in touch with that. I don't just mean downloading, but new technologies much more broadly. I think we very much want to look forward in the industry—not just what's happened today and what we can do to improve that; but how do we lay a solid foundation for

the years to come. Technology and how it's going to change the whole industry and creativity itself is extremely important.

So if you have anything to add—you just barely opened the door there—I would love to hear from you.

• (1220)

Mr. Paul Hoffert: Sure. One thing I can pretty well guarantee is that by the time any recommendations of this committee might be enacted, the industry will have changed very significantly in terms of delivery systems, income sources, revenue sources, and the like.

Today we have cell phones that, as of two months ago, are capable in North America of downloading and streaming complete music and short videos to mobile phone platforms. There is no doubt, as strange as it seems to somebody who may make a feature film to get it on a very large screen, that all sorts of devices will be used to get these onto smaller screens.

What are the implications for this committee and for broadcasting and filmmaking? They are enormous and immediate. In terms of international versus Canadian producers, exhibitors, distributors, they are very fundamental. The broadcasters in Canada, for example, who have resisted regulation for many years and have said they want to be unfettered and unregulated and to have the ability to compete internationally, increasingly need to have the comfort and safety of a more regulated system, because they now say, "You can't allow our signals onto the Internet; do something about it". They said that six months after going to the Internet committee and saying, "We want the Internet not to be regulated and to be unfettered by any kind of government interference". Of course the government is torn, because I'm sure you and your masters say, "How can we protect you and make sure you earn some money unless we have some sort of regulation?"

The fundamental concept in the deregulatory environment that technology is bringing upon us through the Internet and all of these things is nonetheless one in which regulation and quotas and all alike are going to have to be reintroduced—and can be reintroduced, regardless of what the early Internet and other people said—because without territoriality, which is a fundamental aspect of regulation, people can't stay in business in a country, whether it's the United States or Canada. All the distribution agreements that filmmakers, television producers, and everybody has are based on territoriality.

If you have all of the new media that basically have no regulation and no ability to say where it comes from, where it goes, who uses it, or anything like that, the entire international system collapses. In my view and in the view of many of my colleagues, for better or for worse, government intervention and some forms of support regulation are here to stay. It's just a question of being smart enough to look to the future and what's going to happen.

If we look at five examples that were discussed briefly at this session respecting regulation—one of which was the record industry and Canadian content, which I heard the end of, and another of which is the situation in Quebec television, a third being the situation in English Canadian television, and then the situation in film—if we look at the impact of government intervention and regulation on each of those, it seems to me one can draw an incredibly clear relationship between what's happened in each.

In the record industry there were strong Canadian content regulations. In the record industry we have a star system. We have a system that some say doesn't need so much government support anymore, because Canadians have been exposed to Canadian artists and now like them.

By the measure of whether it worked and whether the outcome is what was envisaged, it was a great success. Some would argue about this or that, but if you look at what the intent was when Pierre Juneau basically came up with those regulations and then look into the future at what the outcome was, it was a good outcome.

If we look in Quebec, which has had a much higher standard of screen time mandated for French-language Quebec Canadian productions, and look at what the impact on television is—in terms of stars, in terms of viewership, in terms of suction from the audience—it's clear that it is much better than it is in English

Canada, which has a much lower standard of screen time, of regulation, of support, and all the rest of it.

● (1225)

If we look at the film industry, totally as a result of their lobbying power, the MPAA in the United States got the Canadian government to not impose any screen quotas on cinema. Incidentally, as far as I know, film is the only named cultural exclusion in the GATT and all the international treaties. If you read those treaties, the only named cultural exemption is screen quotas. We don't have them in cinema, and we don't really have a viable cinema industry.

I think one can draw a clear line that if we want to be able to move into the future, and if we believe Canadian culture is worth supporting, there needs to be some government intervention in various ways. Without it, the result is no Canadian faces, no Canadian stories, and all the rest of it. It doesn't matter whether it is going to be on the Internet or on a cell phone or whatever it is. That is the beginning and end of it.

The Chair: And that is probably a good note on which to end this meeting.

Again, thank you very much for being with us.

We're adjourned.

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